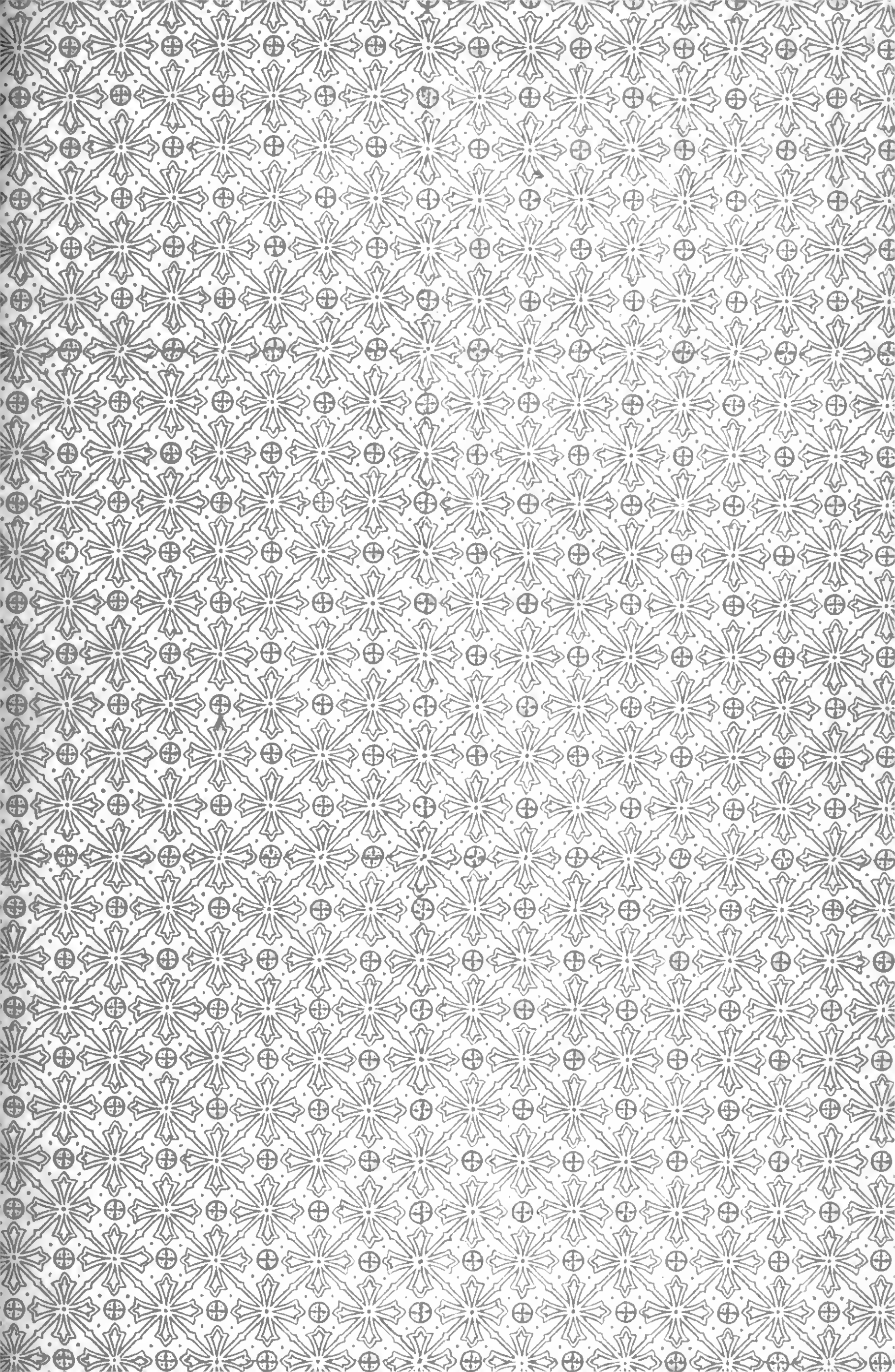
Right and Riches

McCasland



Yours Sincerely
Charles O. McCasland.

RIGHT AND RICHES

BY

CHARLES O. McCASLAND.

Being a Scientific Study of Wealth and its Relations to Producer, Consumer and Society; The Cause of Want and its Amelioration; The Nature and Laws of Money and the Dangers of Our Centralized System of Banking and Corporation Control; the Elements of Collective Prosperity and individual Success.

THE WILBUR PUBLISHING COMPANY,
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TO THOSE WHO,
BY VOICE OR PEN, BY PRECEPT OR EXAMPLE,
ARE STRIVING TO INCULCATE
IN HUMANITY
THE APPREHENSION OF TRUTH.

PASADENA, FEBRUARY, 1908.

CONTENTS.

INTRODUCTION.

PART II.

PROPERTY.

PART III.

PRODUCTION.

PART IV.

SHARING OF OUTPUT.

PART V.

RECLAMATION.

PART VI.

FINANCES.

PART VII.

PROPER USE AND PLENTEOUS SUPPLY.

"For the ultimate notion of right is that which tends to the universal good; and when one's acting in a certain manner has this tendency he has a right thus to act."—Francis Hutcheson.

"Neither shalt thou covet thy neighbor's house, his field, or anything that is thy neighbor's."

"Seek not proud wealth; but such as thou mayest get justly, use soberly, distribute cheerfully."—Bacon.

The Author's Purpose.

POVERTY is a disease, a wide-spread, contagious disease. It is a form of starvation. Now, starvation does not always mean a lack of a sufficient food supply, but often simply a malnutrition or failure of assimilation. Is the wide-spread suffering from poverty, which appears to-day, due to a lack of abundant supply or to non-assimilation?

Economic writers quite generally hold that, collectively, the supply is sufficient if properly diffused among the individuals, and their efforts are principally directed to the evolution of a sociologic system which shall give the proper distribution. This they hope to see accomplished by the reform of industrial laws; but the fact that they overlook is that poverty is a condition of the individual. It is not enough that measures be taken to prevent the spread of a fever; it is even more important that a remedy be offered the individual; for we may have a healthy community, just as we may have a moral community, only through the health or morality of the individual; and to these ends legislation is not an effectual cause, but only an encouragement.

The cure of poverty can only be wrought out through scientific understanding. In recent years every progressive concern, producing a certain line of materials, is coming to have chemists expert in the analysis thereof; and this has resulted in the greatest advance in such industries. Now the remedy for poverty is plenty and its proper application to the individual need; therefore, to banish or ameliorate the suffering from poverty, we require a scientific analysis or understanding both of wealth and individual need. I have herein attempted such analysis.

While I do not presume to have developed this reasoning into a finished science, I hope to have made some progress; for however much I may fall short of the purpose in the treatise hereby presented, I have at least definitely determined that when the pure science of economics is apprehended, it will afford the individual a sure means of success and present abundance; and ultimately it will bring about perfect social conditions of plenty and peace. Any economic teaching which does not present to the individual a sure recipe for such success is lacking in its science.

In the hope that in some small measure at least the effort to improve social conditions may be promoted, and that even a few of tired humanity may be helped to a solution of their problems, this volume is submitted.

CHARLES O. MCCASLAND.

PART ONE.

Introduction.

THE WIDESPREAD EVIL—WANT.

Introduction.

"I am come that they might have life, and that they might have it more abundantly."—John x:10.

THE multitudes of mankind pass the greater part of their waking hours struggling to get the bare necessities of life—food, shelter and clothing—with now and then a mere trifle of luxury.

Why is it such a task to live?

No farmer would keep a species of stock that would no more than earn its feed. No manufacturer would keep an engine that would no more than run itself. Is man alone unprofitable? Is he for no use but to feed himself? Surely life is for more than mere subsistence.

Nor is it the poor alone whose time is so engrossed. Many of the minority who have secured command of a competence for many years, or even for life, are slaves to the habit of gathering more and to the fear of losing what they have. They, too, go on with the grind of getting wealth, never taking time to live and do good.

A certain farmer made a practice of producing and selling clover seed, whose only use is to be sown. His little child was asked by another child, "What is clover for?" "Why, to raise seed, of course!"

Quite as lacking in understanding is the common statement that immigrants are needed to promote the real estate interests of a place, or that the proper business of women is to keep house and raise children. Indeed, the highest business of both men and women is to raise mankind—themselves included—to their natural estate. Epictetus says the beasts were made to bear burdens, but man was made to express God.

The Great Cause who authorizes our being provides continuous profusion for our needs. Is there not abundant food supply as well as the materials for fabrication of wares? For fuel great forests ever ready to renew themselves. Strata of coal unmeasured are accessible to man; oil is ready to spout high into the air; the great cry we hear is for a market. Armies are sent out to fight and die conquering a market where goods may be shipped. Yet how many at home are hungry and cold and shabby?

When some, by progressive thought, with improved machine or process have made possible a profusion where previously there had been but meagre supply, lovers of humanity have hoped that, with repeated discovery, all might share in the good things of life. Yet art after art has been revolutionized and still, with ships and cars of multiplying capacity, loaded with wares of finer and finer make, millions are suffering for the plainest wants. The following, from "Social Unrest," by John Graham Brooks, instances some of these processes:

"The cheapness and abundance of grain foods is explained when the story of machinery has been told. The steam-going plow, combined with a seeder and a harrow, has reduced the time required for human labor (in plowing, sowing and harrowing) to produce a bushel of wheat from an average of 32.8 minutes in 1839 to 2.2 minutes at the present time. It has reduced the time of animal labor per bushel from 57 to 1½ minutes; at the same time it has reduced the cost of human and animal labor in plowing, seeding and harrowing per bushel of wheat from 4 cents to 1 cent.

"Before Whitney's invention it required the work of one person 10 hours to take the seed from one and a half pounds of cotton. The machine will now do in the same 10 hours more than 4000 times as much. That 10,000,000 bales can be marketed in a season and that cloth is so cheap is no longer a wonder.

"A linen sheet that once cost 30 days' labor can now be made in seven hours. A steam shovel will do in eight minutes what one man can do with difficulty in 10 hours. The dirt may be unloaded from a train of cars in six minutes that would require with a shovel a day's work of 10 men. A stone crusher will perform the work of 600 men.

"Few material blessings bring more comfort to every class in the community than good roads. To none is the advantage greater than to large sections of the relatively poor, as in country districts. Yet the rapid growth of these highways is almost exclusively the result of the machine. Yet with all this multiplication of output thousands die for want of proper food and shelter."

It cannot be denied that a larger percentage of people have acquired and are still acquiring a reasonable amount of useful things; but the millions suffer, though in some degree less. The misery in the tenement slums of the great cities is not less than that of, perhaps, the majority in the average rural districts; although it is common for certain writers and speakers to represent all outside of cities as blossom and sunshine. Still there is improvement.

Notwithstanding the evidence of greed among the most wealthy, benevolence and charity are multiplying. The city stricken by storm or catastrophe finds prompt and abundant relief. Institutions of benevolence find readier support, education is freer each year. Chattel slavery has been almost everywhere abolished. Apprenticing of children by articles, equal to enslavement, to learn trades, has been largely abandoned. Many worthy laws have been enacted and cruel ones repealed. Child labor is being abolished in many States. Contracting of service for a period of time has been abolished pretty generally. But as one means of despoiling the many by the few is done away with, another is invented. The greatest legal managing skill is, of course, employed by the greatest wealth.

What is needed, to bring the results of genius and intellectual progress to the uses of the masses, is education of the masses to broader outlook and nobler purpose. It is essential to arouse a *desire* for better things among them. They must come to think and know that such things are *for* them and may by proper effort be had *by* them. It is lack of intelligent plan for Society more than criminal intent of individuals that causes the trouble. Sir Oliver Lodge, in his address to the Social and Political League, asks: "Is it possible to reconstruct society on a scientific basis?"

The custom of allowing absolute ownership of land, he held, was responsible for many social evils, and to him it was a most extraordinary and amazing thing that any man had the right to sell a piece of England.

The law of inheritance, he likewise held, would also have to be considered. The idea that people might live without working, and yet without disgrace. was responsible for much incompetence and some misery.

"All should have leisure," he writes, "but none should be completely idle, save on pain of starvation or the disciplinary drill of prison."

From mere generalities, Sir Oliver passed to specific constructive reform, and expressed the opinion that the workhouses and jails should become manufactories for human beings. "Paupers," said Sir Oliver, "must be shown how to live, how to work, how to develop their faculties."

There are certain natural laws underlying business which should be taught to the children as well as adults until universally understood. One man working with his axe in the free woods can easily understand the quantity of property he is developing. But industries, run by hundreds of heads and thousands of hands, whose materials are brought from every quarter, and whose product is sent to the furthest parts of the globe, cannot be so easily understood. Such an enterprise requires intricate systems of bookkeeping and tabulating to properly be comprehended. It is only recently that proper system in accounts has been appreciated even by these greater concerns, but its effects have been astonishing.

So the increased complexity of our social system requires, and in a measure is beginning to receive, the help of scientific treatment and analysis. Our Federal Government is rapidly spreading the benefits of science. The next great step should be to replace the lawyer majority in legislative bodies with practical men of affairs—merchants, teachers, mechanics, engineers, women—persons whose thought is forward, progressive, effective, free from tradition and musty precedent. We should take a lesson from the great corporations and employ captains of thought and accomplishment to do our legislating instead of those whose training has been to obstruct and delay.

All should enjoy the blessings of science and progress, preference being given to those who cause good things to be, and in the degree that they know their highest use.

Why does our Government have schools for the training of soldiers and marines and none for statesmen and economists? Says George C. Lorimer in "The World To-day:"

"It is not uncommon for the existence of the slum to be attributed to the viciousness of its denizens, as though that were the sole cause of its origin. The police and the church, with equal frequency, are held responsible for its continuance. Poor human nature, I admit, cannot be exonerated from all blame; and municipal and ecclesiastical authorities presumably might do better work. The more I reflect, however, on the problem, the more I am convinced that the root of the evil is rather economical than civic or religious. So long as industrial methods are what they are, so long as the blundering or the selfishness of modern trade methods, and the stupidity of the recklessness of politicians continue to render it possible for a few men to own most of a nation's wealth, and increasingly difficult for the masses to make a decent support; so long as the land is burdened with such a curse as the saloon, which wastes, not only wealth, but the source of wealth, the productive energy of manhood, so long the slum will flourish, to plague and disgrace its abettors. Christianity and philanthropy are engaged at present in a hopeless task. They may do something—much. It is foolish, however, to expect them to succeed as long as the industrial system is what it is, ruled by a misleading idea and enforcing unscientific principles. If the slum is to be suppressed more attention must be given to economics."

But where shall we find the vital, effectual, and infallible principles of economics, both for individual and State, save in the teachings of Christianity? When we read these teachings, let us take them at what they say. Let us consult our lexicons as to the meaning of the words we read, and not tradition.

Business is subject to scientific analysis. That is true as well of public as of private business. But what is counted "good business" is often no business at all, and what is called law is often but the authorization of outlawry and plunder.

The basic principle of true business and true government is the golden rule.

Someone has said: "We are learning that the Golden Rule and the law of self-preservation run parallel. Applied to commercialism, the Golden Rule is to make money so as to give a benefit also to him from whom you make it; and that, too, is common sense."

The great trouble is our reluctance to accept what is new. We cling to old laws and precedent until some cataclysm of suffering, sentiment, or bloodshed arouses us. We sit by idly and see some person or corporation quietly get possession of all the coal, oil, lumber, borax, or other necessity, and never stir—unless perhaps to selfishly try to corner a little, too—when if we were wise and brave and honest, we should rise up and sound the alarm, that the peoples' birthright is being taken. When appealed to, let us not like Cain reply: "Am I my brother's keeper?"

But we are told such things are legal, they always were so. True; but do you not also know that formerly we were ruled by autocrats and tyrants, as in Russia, and that we inherited the laws and spirit of such savage ages. This is a thinking age. In former days oxen, or women, drew the loads and the fickle wind was depended upon to move ships. Now we use science to do such things by a better and surer way. We do not in mechanics and industry look to the dark ages for a precedent. Why should we in law? If a thing is wrong in society, we should know that there is a scientific remedy.

The scientific basis of all true society is Justice. Acquirement of property should be only equivalent to what is given in return. "For Value Received" should be the test of title.

When one has millions of wealth, the question should be, what return did he give to those who conferred it upon him? What reward did the public receive? None? What legislation sanctioned such acquirement? Let it be at once repealed.

Honor to those who master the secrets of nature, who through invention, organization and system wrest from nature abundance, where she has given sparingly. But down with those systems which reach out and take not alone the apples and grapes, but the trees and vines. Let us endeavor to find some of the principles of acquiring and creating wealth.

Complaint is made that economic science is not practical. The same is said of Christianity. Both are practical in so far as scientifically understood.

The vital force of Christianity and of economics is Love. Combination based on greed is a base counterfeit of co-operation based on love. Greed combinations heap up freight, but seldom is it true wealth; often it is a burden to its owner. Love's wealth is like a flowing stream diffusing life.

In the following chapters I shall endeavor to present some of the underlying principles of economics in such a manner that they may be apprehended by the beginner, and at the same time to maintain that accuracy of statement so essential to any permanent place in science. In the light of such principles we shall seek remedies for the blighting evils detailed in the foregoing pages.

The common conception of economics is from an inverted viewpoint. All the more vital propositions are seen upside down. For example, it is commonly thought to be desirable to have a given commodity dear by having it scarce, when the natural, the little-child view, is to maintain a bountiful supply of everything so that everyone may have plenty with the smallest effort. Happily, our prevailing business practices are better than our precepts. The apprehension of this true, scientific view will give plenty. He who shall succeed in disclosing to humanity this true focus of economic principles shall furnish the efficient remedy for poverty and distress. My first effort will be to point out some of the errors of our present methods, for the perception of errors should indicate the nature of the opposite truth. I shall not tire the reader with the refutation of the mistakes of other teachers, but shall depend solely on the correctness of the principles herein presented.

There has been but one unerring Economist—"He who taught as one having authority." We may without fear, therefore, take as our postulates those ever-living truths spoken by Him; they are for the daily affairs of men, and we do no violence to their more transcendent meaning by such use. This is His mission as stated in His own words: "I am come that they might have life and that they might have it more abundantly." The absolute principle of economics is embraced in His thesis: "Seek first the Kingdom of God and His righteousness, and all these things shall be added unto you."

PART TWO.

Property.

CHAPTER I.

Ownership.

THE desires of humanity constitute one radical distinction from other animals. The beast has need of food and drink, and certain species require other provisions. But the desires of man are without bounds. They increase with knowledge of the world of art and commerce. The savage wants a wigwam, a bow and arrow, a canoe. The devotee of luxury spends millions on a home—on summer houses and winter houses, private cars, yachts. There is no limit to such fancies. Material desire seeks not alone what is good, but what is useless and even harmful. It is prompted by the baser, as well as the higher motives.

Whatever things are desired may be termed Desideratives.

Riches depend as much on a knowledge of right use as of right production. The world is rich in treasures of good things which the Creator has provided for mankind. They are for *all* and there is no lack. Abundance of fuel exists in forest, mine and oil well; food in field and water; fabrics supplied from animal, plant, and insect. No reasonable use can diminish this abundance; yet how many lack for things which seem so essential.

One sees things all about him which he lacks. He sees fruit on a tree which he would eat, but is stopped by one who says "That is mine."

> "If to the city sped, what waits him there,
> To see profusion that he must not share."

Merchandise is displayed so as to appeal to his desires. He may lack even bread to sustain life. There was a news item not long ago of a man being arrested for taking bread for a hungry, sick wife. Why should he not take the bread which he so much needed? Because it was *owned* by another person.

What is the meaning of ownership?

Ownership is the power to use and to hinder others from using anything.

In order for a thing to be property it must be subject to control. The owner must be able to prevent others having free use of it.

Some kinds of desideratives are not entirely subject to control in a commercial sense. There is no means of hindering people from having air to breathe so that they will pay for it by the gallon. There is no way of putting a fence about ocean and mountains to wholly prevent people from seeing them without paying admission. Many indeed do suffer from lack of air, and the most available views of mountains and sea are monopolized; still there remains much that is very desirable and yet free.

The foundation of property is Hindrance. The power to hinder others from using makes it "proper," or, peculiar to us, makes the title to it. That is why ownership means the power to prevent others using. If every one could at pleasure ride my horse, where would my ownership be?

How is ownership instituted?

Ownership is instituted when one gets the power to hinder the use of anything. What constitutes this power? It may come from superior muscular or other fighting ability, from the control of some organization, from custom, religious or other sentiment, or from Legislative enactment. Oppressive Hindrance depends upon the ignorance, fear or greed of those hindered.

What is Property?

Any desirable thing subject to the hindrance of an owner is property.

What is the most common basis of ownership in civilized communities?

Legislation. Civil law.

What is Law?

Law is the enactment of a Government. Government is an organization *presumed* to represent the majority of the people and whose decrees are recognized and thereby made operative.

In crude civilization, the strong and athletic swooped down on the weak and took what they had procured with their toil, and by sheer muscular force appropriated it and hindered others from using. Not alone did these powerful persons take the provisions of the weaker, but they formed themselves into the government of their community, the chief as king, his aides as barons, and took the substance of their own people, generation after generation.

The invention of gunpowder lessened the value of muscular strength in this game of appropriation, for the little Jap can outshoot the giant Russian. The power of the press is fast displacing gunpowder, but not less do the holders of power take to themselves the desirable things. The press is supported by the property-owning class. Muscular force has given way to law, but with no more justice. Law now gives title. Many writers attribute title to production, but the error leads them into chaos.

Title to property in all the earth rests on arbitrary law. And law is in a large measure made by the property holders, yet it depends upon acceptance by the masses. Until recently, only owners of real estate were allowed to vote. Law must of sheer necessity make some concessions to those, who by care or art, make things useful.

Property is from the word "proper" as used in the phrase "Proper noun." It consists in an enjoyment or control of anything "proper" or particular to some person or company of persons.

The word "proper" is thus used to indicate the condition of something being particular or "proper" to one's *self;* has precisely the same meaning as selfish. "Property interests" has identically the same meaning as selfish interests.

Property starts from and forever depends upon selfishness, hence property in goods is antagonistic to benevolence, to that benign use of goods and service which blesses all.

The strict and persistent insistence on property claims, we term churlishness, miserliness, which amounts almost to covetousness, a violation of one of the ten commandments.

"All men are born free and equal." This equal right is natural, reasonable and incontestable. Why then does government, which claims to represent society—mankind in common—give individuals the power to hinder the use of things? This is the main inquiry of economics.

CHAPTER II.

Business.

BUSINESS is regarded as the effort to acquire ownership of property. Private ownership is essential in the present status of civilization, but the present rules of its apportionment and control are the causes of the greatest suffering. "Common" or communistic ownership of *all* property is possibly only through infinite improvement.

An owner of property may be one person, or a company of persons, or an association. A community may own certain *"property"* for the common good of all its citizens, such as schools, parks, water and light supplies, but this is a misuse of the word property, for "property" refers not to use but hindrance of use. Public ownership is being advocated along many lines and promises great benefits.

What is the basic statement of all justice and equity? It is that all desirable things PRIMARILY BELONG to society.

What is meant by society?

Society consists of the people in a community at any given time. The *living* generation. Most persons do a service to society which is a just compensation for a measure of ownership.

What generation had, or has, the right of disposal, or the right to give title to property?

No generation has any just *power* to bind *posterity* to any grant or disposal of title.

Each generation has a right to a "new deal;" has a right to declare any title *void*, where a full consideration *is not* reserved *for all* its members; even the savage Maoris saw this.

Upon what does the right to subsistence depend?

Upon being a member of the human race. We do not have to *earn* the right to live. It does not rest upon labor or trade, professional or business ability, but upon being a child of the One Father. It is an inalienable, God-given claim, which all have upon the abundance of the earth. Infancy, helplessness or lack of acquisitiveness does not vitiate this claim, though such inability may lessen our obligations to society. Each of us is under a moral obligation to create an equivalent to replenish the general fund from which we partake. "To every one according to his need, from every one according to his ability" is a trite statement of the natural social status.

By what perversion of logic do we justify enormous acquisition of property by fox-like cunning? Shrewdness can give no claim for wealth nor dullness any reason for destitution.

In the old school reader we had the dialogue about knowledge being power, but that power was not always a good thing. Perhaps the native intellect of our great money kings rightly directed would be of the greatest good to society. Perhaps it is largely the result of our ridiculous industrial system that their intellectual powers are perverted.

Business is beginning to be properly regarded by many as a service to mankind, and not solely a selfish pursuit.

Elbert Hubbard says:

"Inasmuch as business supplies the necessities of life, it is impossible to have a highly evolved and noble race except where there is a science of business.

"Business is human service. Therefore business is essentially a divine calling.

"The world can only be redeemed through business; for business means betterment, and no business can now succeed that does not add to human happiness.

"That many wrongs and inequalities exist in business is very true; but they must and can be righted without smashing the business fabric. Just here are required men with great insight, patience, poise, and love of kind.

"In all of the great cities are stores that are radiating centers of beauty, education, and industry, where the welfare of employes and the public is carefully considered by men of power.

"The word "education" sometimes stands for idleness, but business always means work, effort, industry. It means intelligent, thoughtful, reasonable, and wise busyness—helping yourself by helping others. Only the busy person is happy. Systematic, daily, useful work is man's greatest blessing."

Traditional Conceptions.

Property is held in too sacred esteem generally, and especially in America, considering the sentimental theories we hold. Law and order are indeed to be desired and are the most speedy and direct routes to justice and equity. "Let all things be done decently and in order," but let us never cease to condemn property which rests on injustice and partiality. Little title to property rests on justice; let us not, then, be too squeamish about restoring it by legal means to society.

It has been discouraging for years to see the decisions of the courts, when questions have arisen between the rights and needs of the whole people and the traditional claims of aggregated riches, given in favor of these traditional claims. Is it not sad to see destitution, suffering and helplessness, to see industry and honesty thrust aside to make way for greed and oppression, with no other justification than academic technicality?

A stronger expression of this cannot be made than to quote Prof. John D. Lawson, dean of the law department of the University of Missouri.

Prof. Lawson declared that legal quibbles had made a mockery of justice in the United States:

"If a man is tried for murder the indictment against him must set forth, under our laws, how the crime was committed, by what means, the exact hour of the day or night and a wealth of other details that belong purely to the trial of the case.

"Because some unimportant statement in the text of that charge is slightly inaccurate, the entire case may be reversed and remanded for new trial.

"Original justice is now a contest, not a trial.

"It has developed into a sort of game of sport, with the Judge as umpire. What do verdicts amount to if the criminals have money to take an appeal?

"I know of one case thrown out of court because the word "first" had been spelled "fust" in the information; in another the word "breast" was spelled without an "a," and in still another the information failed to state the caliber of a revolver.

"Some of these reasons for reversal were so ludicrous that they read like the efforts of Mark Twain or other professional funny men.

"Our present methods were copied from the statutes prevailing under the Georges, the Stewarts and the Tudors. They were intended in England to protect the accused from the tyranny of the courts.

"What we need is a commission to investigate the laws and their methods of enforcement. I believe this reform is coming."

The erroneous notions of those without property regarding its awful sacredness are even worse than the ideas of the very rich. No one can by any means acquire any absolute right to the disposal of property. At best, ownership is only empirical. The declaration of President Roosevelt, regarding the trumped up claims to water needed to supply one of our cities, has the right ring. He said: "The rights of a great city to a supply of water transcend the supposed rights of any corporation."

That conception of business is modifying, which regards it as a game having certain arbitrary rules established; and as being perfectly proper, as long as played according to such rules, without regard to the awful results of the unlucky. Such is the popular political shibboleth.

The average merchant seems to care little how much excess the consumer must pay, provided he has as low rates as another so that he may compete. One bank wants all the privileges another may get and one railroad those equal with the rest; but the newer and wiser view seeks not alone equality amongst those playing the game, but the best interest of those outside.

Business may be interesting as a game. The greatest skill may be displayed in it. It is indeed the greatest of all dramas. But this should not be its purpose. Looked at from the standpoint of the common interest it is solely to supply service and comforts to humanity—to serve humanity.

Whatever is inconsistent with this purpose is bad business. Whoever is engaged in a business which does not procure him profit, by contributing to the sum total of happiness and service, should quit or modify it. Who takes without giving is a parasite. To paraphrase the words of the great Teacher: He who would be chief among business men let him give the greatest service.

CHAPTER III.

VALUE.

VALUE seems a very simple thing until we begin to examine it more closely. It is primarily manifested in endurance.

Endurance is of two kinds; the first is negative or passive and is manifested in the discomfort, or suffering incident to *lack* of things or service. The second is positive or active and is occasioned by the effort to supply the lack. Hence, the discomfort of the labor which will be endured for anything indicates to some extent the laborer's estimate of its value. But the urgency of his lack may far exceed the direst efforts of his labor.

Lack is not only occasioned by inability to procure, but by parting with the needed thing for some consideration, some other thing, or through the consideration of love or charity.

Value, starting from this basis of endurance, assumes three distinct phases, viz.: Utility, Exchange Value and Lack Value. Utility is that physical characteristic of a thing which enables it to satisfy desire through one or more means. For example, leather has utility for the making of shoes, or harness, the binding of books, upholstering of furniture, the making of parchment, etc. Each of the metals have innumerable uses; wood is good to make structures, for fuel, to make paper, and so on.

Utility is an inherent quality or capacity of things to be put to use. The utility of a thing is a physical property of it. It does not depend on anyone's opinion or condition.

These phases of value may be illustrated by the phases of distance. Individual lack compares with the conception of nearness to our person, home, or headquarters. One says, "my present employment is nearer," or "we have the church or school near," "the city is near," "the store is handy," a place is "foreign," and so on. In the same sense one says, "I need shoes, or bread. I need forty bushels of lime or twenty yards of carpet."

Utility compares with length, distance, irrespective of persons. We say, "The lake is ten miles long," "the train is half a mile long," "the railroad is three hundred miles long." There is no reference to the location of either end of the distance. In the same way in expressing utility we say that certain beets are so much per cent. sugar, or that oil is of a certain gravity, or coal will produce so many units of heat per pound, without reference to who wishes sugar or heat.

Exchange Value is like the location of a place East or West. San Francisco is not (considered alone) more West than New York. We cannot say "Denver is 500 miles West" with any sense, without adding what it is west of. West is solely comparative. There is no Natural West.

In practice we set up a stake at Greenwich and arbitrarily create East and West from it. That is our basis of comparison. Likewise we take some species of property, as tobacco, or money, or cattle, or pelts, and create a basis of market-value comparison.

How greatly any one desires a thing has nothing to do with its utility.

One phase of the utility of a specific thing may appeal to one individual, another phase to another. One may wish tobacco to chew, another to smoke, another to keep moths away. One may esteem cows for the utility of their flesh for food; another esteems them as an object of worship. The utility inherent in anything is not therefore affected by individual desire, or condition.

Utility is but one of the several factors of lack and exchange value. One desires one thing for the certain slight utility it possesses and finds there is a certain degree of difficulty in getting it, while a second thing is of much more utility to him, but of no difficulty of procurement whatever. Yet, because of the difficulty of procurement, he esteems the first more than the second. He will be careful that it is not wasted.

Herein, then, we see the second factor of value, hindrance to procurement. The *active* factor of endurance here comes into play. We do not esteem the utility as long as there is no lack, and there can be lack only in the degree in which there is hindrance to procurement. Hence, the person will do without, or lack anything, only up to the degree of difficulty of getting. The amount of toil or discomfort he will endure will indicate how much he lacks it, will indicate how much he needs the use of it, provided he may be able thus to procure it.

This then to him is its need-value.

Articles have this phase of value to one person entirely isolated from all other persons, as was Robinson Crusoe. It does not depend on exchange. When a city's water supply is low sometimes its use is forbidden for sprinkling lawns, even though paid for by the gallon, because of the urgency of its need for household use.

The ability to exchange brings in the other phase of value known as exchange-value, often confused with this individual need or lack. Individual need relates solely to personal experience, what we can discern with the senses, just as do the measure of distances, expressed by the terms arm's length, a day's journey, and so on. But astronomical distances are not appreciable to the senses. They are only apprehended by science, by mathematics.

When a person has need for a horse and has labored to procure one, he may exchange it for a cow which he feels a greater lack of. Hence, exchanging originates from his individual need. But presently there evolves the procuring or making of things of which the individual has no lack or need, but procured solely for the purpose of exchanging them for whatever else he may lack. From this arises an entirely new phase of value; for his estimate of value of such product has no relation whatever to any utility in it to minister to his lack. He cannot measure this new phase of value with his senses, but only by mathematics.

It may be tobacco which the individual is producing, though he does not use it in any manner. He must therefore arrive at its value by a process of figuring. He says a pound of tobacco will generally get me about so much beef, or so many pounds of flour, or will get me a coat; hence, he labors to grow it, and prizes it until he exchanges it for what he wants. What he will be able to get with it depends somewhat on how much others desire and lack tobacco; but the producer knows, nor cares nothing about this lack. He cannot. What he does learn is the mathematical comparison between tobacco and other things in the market, which is their market or exchange value, or ratio.

Now, strange as it may seem, the market value of things —the mathematical comparison of their exchangeableness, becomes more familiar to us than their worth for our personal needs, their real worth to us. Desire for them, to a great extent, is measured by what they will buy.

It is often mistakenly considered that the individual lack or need of things is approximately the same as their market value, but there is scarcely any relation between them. The old proverb is more nearly true: "One man's meat is another's posion." What one urgently seeks is trash to another. Even what the majority esteem highly and think essential are useless to a large minority. Exchange value is the counterfeit of real goodness. Bread which we think so essential is unknown to millions of people.

You do not commonly rate various commodities according to their relative capacity to satisfy your desires, but according to their market price. You rate a house at what it will sell for, not by its elegant design of architecture. You compare silk, cotton, linen and other textiles not entirely by their serviceableness, their capacity to give the best results, but largely by their price.

Again a thing of not very general utility may serve your purpose well. Some things of innumerable uses are very cheap because plentiful. Utility is not approximately commensurate with either our individual need nor with the exchange value of things.

The exchangeable value of a thing nearly dispenses with the conception of utility. Exchange-value is a phase beyond the comprehension of the senses, and dependent on the intellect; for it is not absolutely requisite for a thing of the greatest exchange value to have any utility whatever. Money need not, should not have any utility, that is, except utility as money.

We may to-day go over the market quotations, which are simply the record of exchanges, and fix a table of the relative value of a thousand commodities in Chicago *to-day*. But to-morrow it will be very different. We may say X bushels of wheat are worth Y bushels of oats; X tons of hay are worth O bushels of potatoes, etc., etc. We may simplify this and say 1 ton of hay is worth 12 oz. of silver, 1 bushel of corn is worth 1-3 oz. of silver, 100 lbs. of hogs is worth 4 oz. of silver, 1 lb. butter is worth ½ oz. of silver. Here we use silver in all the comparisons. This is said to be taking one thing as a standard of comparison. This is a convenience, for we more readily comprehend a comparison with a commodity we have compared many other things with. But since exchange value is not a quality of any material thing, but only a temporary comparison between them as indicated by the willingness of people to exchange on such a basis, it is then impossible that any species of goods can be made a measure of value.

The ratios in which things are given in exchange has little reference to the labor consumed in their making; neither any reference to their use as subsistence. Such ratios are determined by the fancies of the exchangers, by unaccountable circumstances—the weather, accident, social events, religion, holidays, innumerable causes. The law of value called the law of supply and demand needs qualifying. Supply and demand are subject to all the above influences. But after we have the relative value of a thing, it remains for each of us to translate it back into our "lack value;" what the foregoing of it would mean to us.

That a pound of butter to-day is worth 5 yards of muslin, or two pounds worth an axe, does not express either their utility nor yet an individual's relative need for them, though it is usually presumed to. Here is the distinction: Lack-value means intensity or urgency of need. This urgency is measured by the price one will pay up to a certain very important point, which is often neglected; that is, up to the limit of the ability of him who lacks. But the urgency does not stop there.

What is the lack-value of a bushel of grain? To one it may be a trifle. He slightly considers it. If the exchange value be very low he may keep a few more horses or if high a few less. It is a slight matter. Perhaps he does not even take cognizance of it. But to another what an awful tragic lack-value has this bushel of grain. What terrible urgency is expressed in its lack; for though the exchange value is low he has nothing to exchange. He cries to see his children dying for it. He has already given all of his meager wealth for supplies of it. He has offered to labor, even to die, to get further supplies but to no avail. Says Emerson: "Ah, if the rich were rich as the poor fancy riches."

Does Rockefeller know this value of coal oil? No! Ask some poor mother who cannot furnish it that her son may have light to pursue his studies. Does Baer know the lack-value of coal? Ask some father who sees his child dying from cold for want of coal. Does Havemeyer know this individual value of sugar? Ask some poor country folks, who, though the fruit is growing wild about them, cannot get sugar to sweeten it. Labor can express the intensity of lack, only to the extent that it can supply it. The price of bread does not essentially increase in very great ratio when millions are starving.

Exchange value is a cold, merciless quantity which takes no thought of one's neighbor. Exchange value calls for its pound of flesh, not caring whether it comes from the slaughter of cattle or hogs, or from the slaughter of men and women in the sweat shop, or from the slaughter of helpless infancy in child labor. This common method of rating values by the dollar mark, rating things by what they will bring on the market instead of what they mean in comfort, health, happiness, yes, even in morality, in human life—in manhood and womanhood—is the cause of much wrong. Even in the simpler things of life this confusion may be seen in persons' ordinary shopping. We see them buying things of no use whatever, simply because the exchange value or price is high, and doing without the cheaper things for which they have many times the need.

Women judge value more from the sense of negative endurance, from having to choose what they must forego, and men more from the active effort they must endure for them. Neither view is perfect of itself. It is time we all paid more attention to the real value of things according to the enduring good they confer; according as they tend to the bettering of humanity. When we sit by our blazing fires in winter we should not forget what an awful temptation there is for the poor destitute father to steal coal to keep his family warm. What does it signify that coal is only $2.00 per ton, if he has no money at all?

Theorists have attempted to create a measure of value. There can be no measure of value, neither lack nor exchange value. Some have suggested labor as such a measure. But labor does not by any means measure human need, for the reason above stated, that it will not always procure what we lack on any terms. And it does not measure exchange value because no two men's labor is of the same effectiveness, or compensative purchasing power, because wages have no relation to the toil and suffering of labor to the individual. You cannot make a measure of value unless you find a commodity which will not alone have always the same utility, but one which people will always hold in just a certain esteem.

Money is the best attempt at such a measure, yet it is never the same for two successive days. Exchange value is but remotely dependent on Individual Need or Urgency. It is but a ratio, and not even a ratio of the comparative urgency of things, but only a ratio between opinions as to how intense such urgency is, or will be.

A big daily once had a guessing contest on the attendance at a fair on a certain day. Now, suppose there had been another guessing contest on what the average of the guessers would be. To estimate this average one would not only have to take into consideration the attractiveness of the fair, how it was advertised, etc., but how those who guessed would rate all these prospective indications.

Exchange value depends not only on shortness of supply, on largeness of need, but on innumerable elements that may be expected to influence people's opinions of the supply and need.

There is no limit to the quantity of a commodity sought. The only thing that in any sense fixes a certain quantity of a commodity as a normal supply is, that people's habits have become adapted to that amount. Therefore any decrease from the usual supply increases its price, and any increase above what has been usual tends to cheapen it, if not accompanied by increase in many other groups. A commodity may be lowered in price by increase in the supply of others in its group, though this is not sure to result. A good supply of oil may make coal of little value; on the contrary, however, the electric light has apparently increased the demand for gas, even for illumination, by educating people to bright lights.

Overproduction is a favorite word of the inverted school. There has never been such thing as overproduction, nor ever will be. There has been, is, and there is likely for some time, to be underconsumption. Thousands, millions, do not know what plenty means.

Exchange value is not commensurate with the capacity of the thing, to contribute directly to the comfort of its possessor, but with its capacity to induce others to contribute to his comfort.

Exchange value is negative to all who seek.

CHAPTER IV.

Property Essence.

"Wealth in the gross is death, but life diffused."
—Pope.

WHAT is the Essence of Property?

Exchange Value, for "Property" does not indicate the measure of the innate serviceableness of things, their capacity to add to the sum of human enjoyment, but exactly the opposite—which is the power to hinder enjoyment, to command the labor and wealth of others.

What constitutes Value?

It arises from the pressure of desire against hindrance. Desirers seek and hinderers refuse until a *compromise* or *compensation* is agreed upon. This *compensation* is the value of the thing desired. The value of property is analogous to the pressure of steam. There is no value to steam for motive purposes without its restriction by the confining boiler and engine. Its value is measured by the work it will effect in the engine. The value of property is through its restriction by workers, and arbitrary possessors. This value is exemplified in the results it will produce or buy.

Again, value may be illustrated by the electric light. The hindrance to the electric current in passing through the filament produces heat. When the hindrance is of the right degree the heat is sufficient to produce light, but when this hindrance becomes so great as to interrupt the current, the value in heat or light ceases. In like manner the hindrance to the current of desire for land, resources, or goods, produces income in the shape of rent, royalty or price, and constitutes a value in the land, resource or goods. But when this hindrance is made so great as to stop the use, it interrupts the value producing current. Thus cities are ruined by booms. We see the use of electricity for heating irons, for cooking apparatus, for several different classes of lamps, which give light through heat. Some use carbon filaments, others various minerals. The utility of all these utensils depends on the quantity of heat. Now, it is plainly evident that the heat is not inherent in the carbon of the filament, nor in the wire of the coil used. It inures from the pressure of the current against the resistance or hindrance imposed. The weight, bulk, quantity, shape and consistency of these utilities —filaments, coils, etc.—have no ratio to the heat output. A carload of carbon filaments would not produce a spark of light when not being acted upon by the current with the proper degree of hindrance. Just so, wood, iron, cloth, glass, china, any species of goods has no value of itself except as acted upon by the "current" desire and the resistance of owners through hindrance to use. Value is not IN things. Value exists and continues *in thought*—in the current opinion or estimate of the desire for, and hindrance to having things. The things are only the medium through which the current of satisfaction flows to desire.

Desire varies as does the electric current in the filament. It may be artificially increased or diminished within certain limits. Intelligent education or advertising increases the intensity of desire. Hindrance to having things is also variable.

Strictly speaking "things" do not constitute property. *Value* constitutes property. If things are the medium of satisfaction, to desire, with a reasonable restriction to their use there arises an opinion relating to such things, a variable estimate of their utility and availability, which constitutes value; a value, not IN them, but relating to them.

Hence, the law of value is: Whatever increases desire for certain articles tends to increase their value. Whatever tends to induce or enable owners or makers to increase hindrance, tends to increase value, provided it does not increase to such an excess as to divert the current of desire—that is, to cause some substitute to be provided for satisfaction.

People wish light. Not particularly that made by electricity or oil, but just light. Perhaps they prefer the costless daylight. But this is not at all times and places available. Hence whatever furnishes the medium or means of good light is sought. The desire for light has a relation to such apparatus. But some one asks, has not the fine machine, built so beautifully and strongly of good steel, a permanent value? Not in itself. Perhaps what it is made to produce will become obsolete in a few months. Perhaps a machine so much superior will be built that it will be only so much scrap.

Strictly speaking, desire seeks not things but satisfaction. People desire to be transported. Not essentially by railroad. They desire goods moved; whether by boat, car, wagon, auto-truck, or airship, they care not. Cars, ships, trucks, etc., are of value in the degree that they satisfy this desire and coupled with the degree of their owners' restrictive control. So with everything sought. The pressure of seekers, against the withholding of the holders, gives things value, makes property of them. Holders of property are impelled to base their price somewhat on what it would cost them to replace it; hence, the wages, rent, interest, all the charges of producing or procuring new supplies, enter into the reckoning of prices. Plainly, goods cannot continuously be sold at less than cost. Hence, loosely speaking, they are usually worth what they cost.

Whatever is an obstacle to procuring supplies, whether natural or purely arbitrary, tends to maintain the price of such supplies. Suppose one has a ranch where he may procure water by pumping from a depth, or by buying from some one who controls a flowing stream which needs no pumping; will not his cost for such water be whichever is cheaper? The price of fuel depends at certain places on the arbitrary charges made by owners for oil flowing spontaneously from the earth, or on the railroads' price for coal, or the work of cutting wood. Arbitrary hindrance as much maintains prices as workers' wages.

Value as thus maintained is termed exchange value. It is a value as between different individuals. Between present owners and those who desire to procure.

Value, commercial value, exchange value, property value, individualistic value, is quite distinct from utility or usefulness. In arid regions, water for growing crops is furnished by ditches from reservoirs or streams, or by pumps. Such water is property. It has exchange value. Owners of ditches derive immense incomes therefrom. The crops, and therefore the wealth production of the communities, depend on this water property. But in other districts water for growing crops comes from the clouds in rainfall. It serves the same purpose. On it depends the wealth production of such district. Yet rain is not property. It has not exchange or commercial value. It is not counted part of the wealth of the district. Why? Because it is not subject to control, to purchase and sale; it is not "proper" to an individual owner.

Hence, we may see that the amount of value of property in a community does not measure the comfort or means of satisfaction in such community. The canopies over the beds in Louisiana to save sleepers from being devoured by mosquitos are property. But the people of another place where mosquitos are absent are not poorer for lack of such property. People of milder climates are not poorer for lack of triple windows, immense stores of winter coal, heavy brick walls, weighty furs and clothing required in the rigorous climate.

Now, the important idea here sought to be impressed is that *value* in property is not beneficial to humanity collectively. Usefulness is what blesses us collectively. Exchange value but represents the power embraced in the ownership of an article of property to *command* wealth or service. "Let in the new and renewing principle of love, and property will be universality," says Emerson.

Exchange value is beneficial solely to owners. The heat of the Mississippi Valley causes electric fans and ice boxes to be almost a necessity, while in San Francisco they are almost superfluous. The demand for current in the "Valley" adds to the value of electric property. These demands enable electric and ice companies to collect large revenue from the people. But is San Francisco poorer by reason of being almost without fans and ice? In one city, by reason of frequent storms or earthquakes, buildings must be built of great endurance, while in another where there are no storms nor freezing, they are of light and cheap construction. Is the first city richer for its more costly buildings? In one city rents are low and lots correspondingly low. The real estate may not have but half the selling value that it would if rents were as high as in another city. But is the city poorer therefor? Only the utility of property aggregates to the community collectively.

Value is positive to him who wishes to sell, but negative to him who must buy. High prices for potatoes benefit growers but impoverish eaters. But plentifulness in utility blesses all.

The arbitrary restriction of supply by those who, by any means, control supply, establishes value; determines the "propertyness" of a thing, as much as the difficulties of growing, mining or fabrication.

Hence, the RENT of land combines with the WAGES of labor, and the INTEREST of capital, to give VALUE to output.

But only the productive factors, labor and capital, give utility, add comfort and satisfaction.

Trusts greatly enhance the aggregate *value* of the property they control, while perhaps lessening the actual supply of utilities.

We have no measure of utilities in an aggregate. In some lines there is some sort of an attempt in this direction. We speak of so many candle power of light, so many rooms in a house, so many seats in a theater. But to aggregate we must say so many dollars' worth of food, buildings or what not. The new buildings built in a city in the last year may be rated at a million dollars and yet be less in number and utility than those of ten years ago, which cost but half a million.

This lack of words or even definite ideas to comprehend the utility phase of things is one thing which make economics so difficult to grasp. With the present status of thought the quantity and importance of property must be rated by its exchange value.

CHAPTER V.

Property Evolution.

THERE is a kind of property that is permanent, fixed, whose use does not injure or diminish it. Areas of the surface of the earth as sites for homes and other uses are fixed property; use does not injure this class of property. The site occupied by a home thousands of years ago still exists. It requires no renewal.

There is another class of property which is consumed with use, which depends for its existence on constant RENEWAL either by NATURE or MAN. This is Wealth. Food, clothing, shelter, art, means of transportation, fuel, etc., are wealth. Wealth does not depend solely on labor. It is supplied also from spontaneous natural growths; as grass, stock, fruit, etc., accruing to land owners. Wealth does not endure long. Some a day, some a week, month, year or even a generation, as milk, ice, meat, cloth, wood, iron.

One may procure a piece of FIXED PROPERTY, hold it without effort during his life and bequeath it to his successors. But it is necessary for us all to be continually acquiring a renewal of our supply of wealth.

Under primitive conditions man procures this renewal by adapting the wild unlimited growths and deposits of materials to his use. He kills game, to secure food and skins from which to make clothing and shelter. He catches fish from the boundless waters. He cuts trees from the limitless forest. He kills the bear or buffalo from the herds, so numerous and plentiful that he thinks it not waste to take the hide and leave the carcass. But even so he finds some things only available at certain seasons. Fruits, nuts, etc., must be gathered and stored in season. Fish are more plentiful at certain seasons. He must gather in stores or stocks of such things until the next season. He does not find all the things he requires at one location. He must bring some of his supplies from a distance. To do this he needs means of transportation, boats, wagons, etc. He may find it even more convenient to cultivate crops or domesticate animals. This requires fences, barns, implements. For his stores he needs warehouses. All the stores, warehouses, fences, barns, boats, wagons, implements are useful in making his work effective. They are his Capital.

To have capital he must put by what he should like to use in enjoyment at once, or must devote his time to procuring wealth for capital instead of procuring something to enjoy at once. But he soon learns that by this abstention, this working for and applying wealth for a future use, he may have much larger supplies and with less labor. As men become more civilized and educated in science and in neighborliness, the tendency to create capital is stronger.

But all wares must be made from natural supplies of material. Production advances but little, until the producer finds that "knowing persons" have anticipated his need of raw materials and have seized upon all lands which contain them. As he advances further, he finds the avenues which lead to markets barred by toll gates. These persons, like the Moor bands, now being suppressed, demand a large share of his output for this access.

We see that output is shared between the producers for their labor and capital, and those who have the power to hinder the use of natural opportunities. This hindering power embraces the ownership of land, mines, franchises, and trade monopolies. Their owners gain possession of them either by violence or graft, or by taking them before society's needs have grown to require them. Society, through the ignorance, fear and greed of its members, for-bears to disturb them and confirms their title thereto by laws of cession or grant. Hence, we may term all such property, as consists of control of natural or social opportunities, CONCESSION.

Property consists not in physical volumes or areas, but in authority. Property evolves from and consists in the control of others desires, through the command of the physical or functional entities on which their satisfaction depends. Hence the power to permit or hinder use constitutes property.

CHAPTER VI.

Property Precepts.

THE following facts about property are important to remember:

1. That property evolves in a thing from the first recognition of authority to hinder its use.

2. That laws of property are dictated principally by and for the advantage of the owners of property.

3. That the existing basis of ownership is not even approximately founded on right.

4. That government was forever instituted and founded on the theory of the superior rights of the fortunate, but even so, that order with injustice is better than anarchy, and that rapid strides are being made toward improvement.

5. That decrees or grants of title by one generation is not an obligation that the succeeding generation is morally bound to respect in making their laws.

6. That one's claim to the reasonable requisites of life is not dependent on his labor.

7. That each has a right to an equal supply for personal needs, irrespective of his productive or acquisitive capacity; but that each person's obligations to society are in proportion to his natural or acquired capacities.

8. That the right to control the means of production is in some measure justified by their successful use for the good of society.

9. That the opulent have no meaner idea of the rights of the poor than the poor have of their own rights, and oppression is supported by the false ideas of the oppressed.

10. That the intensity of lack is in no degree measured by Exchange-value.

11. The relative Exchange-value of things is not likely to be their relative worth to any one person.

12. The Exchange-value of a thing depends not on its utility to one, but what it will procure him from others.

13. Value is not *in* things, but *in* the prevailing opinion *of* them.

14. Desire is not for *things,* but satisfaction.

15. The value of a thing is the compromise between desire and hindrance.

16. Increase of exchange-value in a commodity is as much loss to the users as it is gain to the holders.

17. That property, under the present status, consists less in the ability to use than in the power to hinder use.

PART THREE.

Production.

CHAPTER I.

WHAT PRODUCTION COMPREHENDS.

TO study the condition of output or the replenishing of the stock of wealth, we must define a very confusing though common term of economics—Production. The principal confusion of economic thought arises from a double meaning attached to this term. When a Robinson Crusoe lands on a fertile island he finds there the sources of abundant supply of subsistence, but little of it is in condition for his use. Trees must be cut for fuel, and shaped and built up for shelter. Food must be gathered or provided by killing animals. This takes effort on his part, or labor. To provide a satisfactory supply he must plant and cultivate crops. The supply which he has thus adapted, or even which is partly completed for use, by his labor, he prizes and protects from waste. It is valuable. He has caused it to have a special utility for his enjoyment above all the wild growth of the island. He has "produced" it with his labor. Here is production in its true economic meaning.

Production, therefore, comprises all effects of human agency, directed toward service and increase, or replenishing of supplies for the satisfaction of desire.

Service is that part of production which does not result in a tangible output but is applied directly to satisfaction. Teaching, nursing, domestic service, etc., are examples of service resulting from labor. Hotels, means of transportation for passengers, theatrical and other amusements, are examples of service resulting from labor and capital. Service has the general nature and is produced by the same methods as is tangible output.

Many writers confuse natural forces with human agency in treating of production. To be sure, human agency can do nothing without natural forces; but the use of such forces do not for that reason constitute them factors of production. To illustrate, let us take the term heat. Heat is a certain phenomenon observed in its effects on the human body and on other material elements. Now heat may be produced by the use of coal, or wood, or gas, or electricity, or friction. There is animal heat and sun heat and chemical heat. Yet we do not confuse heat with fuel, or chemical action. Heat is a distinct phenomenon. It is a powerful and useful agency for many purposes. We care not whether it results from fuel, electricity, or sunlight.

Human agency must use a multitude of natural materials and forces, but we must maintain our idea of human agency unconfused as the sole factor of production. Soil, sun, mineral deposits, and such things are *not* factors of production. It is the effect produced on or *with* them that constitutes production. These forces act freely, hence do not induce *value*, the essence of wealth. The profusion of their output is not wealth unless humanly circumscribed.

Webster defines produce: "To lead forward," "to cause to exist;" he also gives many other definitions, but in the economic sense it must be restricted. We must limit it to what human agency causes; to the leading forward; the making available by human initiative, by human effort. The other common meaning of produce, "to yield," referring to growths or results of natural causes, must be eliminated from the economic meaning. Human agency plants, cultivates and gathers crops; it mines and quarries useful minerals; it shapes, modifies and transports. This is production. Output of wealth is from both human and natural forces, but its production comprises only the human contribution.

CHAPTER II.

Exchange and Art.

THIS human agency is of two distinct natures, the active and the passive. The active agency is called Labor, the passive, Capital. Labor actively moves, directs and accomplishes. Humanity passively *allows* its wealth to aid this active element. Produce does not mean simply to grow or manufacture, but to make available in any way. Exchange is an effective means of production.

Exchange is often treated by economists as an evolution. Exchange is not an evolution, it is a revolution, an innovation. The wildest savage may incidentally trade his bow, or boat, or gun, to another for some other thing. He may see what an advantage this is and seek other trades. These are incidents.

But when a community has advanced to a state of intelligence such as to allow *one* or more of its citizens to devote his attention *solely* to the production of *one* kind of *commodity,* a distinctly *new era* has opened up. Presto! there is born exchange-value; for exchange value is not, as many mistakenly think, simply that comparison of esteem which an Indian might entertain regarding a fine fur, a pony, or a boat, as a means contributing to his pleasure. Nothing of the kind. It is more nearly like the esteem of the gaudy beads which an educated and refined explorer might carry into the wilderness to exchange to the Savages, as Stanley did—of no earthly attraction, or worth to their owner except to trade for what he may desire. He esteems them only for what they will buy.

Thus one engages in production of one commodity alone, that commodity being rated by him as though he had no personal use for it whatever, but as the wampum or beads, which one reckons *some other one* will wish, and for which they will furnish his needs for other things. Exchange starts very early in civilization: "Abel was a keeper of sheep, but Cain was a tiller of the ground."

While division of labor is foreign to that desolate state where one would try to supply all his own wants, it is, nevertheless, the natural inspiration of man's efforts; but greed is not its natural stimulus. Nor may we trust greed to direct the output and supply of wealth. True, production rests on the artistic instinct of man, which rises and expands with his moral and intellectual development—with his re-approach to his native condition of brotherhood, for what is the motive of true art but the desire to bless others by contributing what will give comfort and happiness.

> *"Bear ye one another's burdens and so fulfil the law of Christ. But let every man prove his own work and then shall he have rejoicing in himself alone and not in another."*—Gal. 6:2, 4.

Someone has tritely said: "Love is the art of hearts and the heart of arts." Is it not well recognized that no noble art is produced in response to a pecuniary reward? Every normal person has the instinct of art in some line, if he has not smothered it; that is, of art in its broad sense of creating things or service of use and beauty. To use Emerson's words: "As soon as beauty is sought, not from religion and love, but for pleasure, it degrades the seeker. Beauty must come back to the useful arts, and the distinction between the fine and the useful arts be forgotten. It is vain that we look for genius to reiterate its miracles in the old arts; it is its instinct to find beauty and holiness in new and necessary facts in the field and roadside, in the shop and mill. Proceeding from a religious heart it will raise to a divine use, the railroad, the insurance office, the joint stock company, our law, our primary assemblies, our commerce."

But Art, starting from such sublime source, may like plant life be dwarfed or distorted. The tree repressed and stunted becomes knarled and knotty. So art is distorted by the unnatural environment of the artist, into morbid phases and freakish imitation of ancient degeneracy and ignorance, and such phase is often held up as a standard. Wholesome art is the outward expression of the inner life of the community contemporary with the artist. Such art is manifested in all the wares and commodities of a people. And as the choicest wood, marble, gems and gold are put to base uses, so art is put to uses which tend to debase rather than to uplift mankind.

A nation may be pretty well judged by its use of the more genteel arts. The most extravagant art of India and some other lands is lavished on tombs, as if to emphasize the fact that there civilization itself is dead. America has most of her art in the home. Art here is for the living.

Art is for man and not man for art. Art should be used, but not worshiped. "Thou shalt not make *unto thee* any graven image, thou shalt not bow down to them or serve them." The depraving results of worshiping churches instead of worshiping *in* churches; worshiping works of art, instead of worshiping *by* works of art, is sadly shown by the populace of old centers of art. The tendency of worshiping their art by the devotees of sculpture, painting, music and other arts which assume the title of "fine arts," has distressing effect on such worshipers. The loose morals of persons who go to excess in their adoration is proverbial. The song or picture of the most exquisite technique is not always the most inspiring, enjoyable or elevating.

There is but one reason why the makers of the finest statuary or paintings, or the writers, or interpreters of beautiful music, should become egotistical about their art more than the workers on a fine auto, cottage or boat. This one reason is because their work is more individualistic.

One man makes a painting alone, or sings a song alone. Many must co-operate in the auto or boat.

The art which blesses mankind is inspired by love. But all output of physical commodities does not emanate from this divine impulse. Therein is one cause of our troubles.

Exchange, commerce, is necessary to give scope to the artistic instinct and talent. A hermit, isolated from society, cannot have either inclination or opportunity to create much of beauty. The artistic instinct is a part of man's spiritual nature. Its desire is to give; greed seeks to take.

Greed and selfishness repress art. The artist seeks not to promote his own ease or satisfaction, but that of others. The knowledge that he does so is his greatest reward. Yet this does not lessen the pecuniary reward due him, which is the supplying of *his* needs as a compensation. However little appreciated, this noble motive *is* the main stimulus of commerce. Because of greed, producers dare not be completely disinterested. That business is on a mean and sordid basis whose main motive is not the good of those it supplies. It may seem that great success is sometimes achieved by concerns whose only object is gain, but it cannot be denied that success is surer and more common, from the high purpose to give the greatest possible good to patrons.

The next step after some have engaged to produce but one line, and to depend on exchange for their own requisites, is the engaging by some solely in the occupation of *promoting* exchanges, and ceasing all efforts at growing or fabricating commodities. Such persons fill a necessary place in the development of industry. To be adapted to such a sphere, which most persons are not, one should have a capacity to judge the commodities he handles and to interpret the desires of the people, so that he may help to direct producers how to furnish an output which will satisfy people's desires.

Exchange is a vital part of production, for shoes on the retailers' shelves are, from an economic view, not *completed* except in a degree, any more than when they are simply leather, thread, etc. They must be fitted to feet and sold, to be completed. Output may be roughly separated into groups, each of which is intended to satisfy a certain desire, as grains, potatoes, fruit, etc., for food; lumber, stone, lime, etc., for building. Each person seeks to satisfy his desire for food, clothing, ornament, music, etc., by offering something of another group in exchange for it. This exchange is accomplished by first exchanging for the symbol of wealth, money, and then changing the money for what we desire.

An article is actually of more value to the buyer than to the seller. This is the legitimate profit of the merchant. He must keep a stock subject to loss by fire, change of style, etc., must pay rent, and many other expenses, in order to allot a pair of shoes to each wearer that will suit him in price, style and comfort.

Many seem unable to distinguish any radical difference between gambling and business risks. Business risks are a necessity. Some one *must* carry them, and the premium which the consumer pays for goods, reimburses merchants for their losses. But gambling is an artificial risk, created for no final good purpose, but only to catch those who wish to get money without giving a return. Much that is called speculation is only gambling. Gambling is a total loss to the community in wasted time, energy and manhood. It is common to be charitable to many useless and harmful lines of exchange or business, and class it with respectable industry; but no business deserves such respect that does not actually contribute to the final supplying of comfort and happiness. The risks and losses incurred in honest trade are but part of the total cost to consumers. It is desirable, of course, to keep them down to a minimum. Risks created for no real purpose but to gamble on should be stopped by law, and happily such practice is becoming more general.

Goods of different groups may be procured from the same locality or from widely distant lands. The greater portion, however, arise right in the same locality. The production of salt goes on in the same field with grain, glass, fish, leather, gold, copper, etc. True, where coffee grows, little corn is raised, and to some great gold mines water must be brought four hundred miles up an elevation of two thousand feet. Yet some points, by common consent, become producers in certain lines. One place monopolizes the brass button and buckle business, another makes beer, another automobiles. Sometimes this is because the skill developed in some pioneer plant clusters about it in other works. But whether from near or far, the production in one group is paid for from the product of many others. The motive of all true production is the good of the consumer, to better serve and satisfy mankind. This motive in a considerable measure, however, is frustrated, as I shall endeavor to show.

Government should encourage the production of such things as are for the best interests of consumers. The making of intoxicants and injurious drugs should be discouraged. The highest standards in all lines should be encouraged. The Pure Food Law, recently enacted, which discouragès adulterations, is in the right direction. One of the Dakotas compels the labeling of paints with the exact ingredients. Government should busy itself with supplying its people by encouraging the largest and the best possible supply of things that promote their happiness, and give special care to the things needed by the poor. Then there would be no need of worrying about foreign markets.

To give, is an impulse antecedent to, and correlative with, *to create*. Guaranteeing abundant use by all, is a means, both reasonable and humane, to promote art and exchange. The springs of output which are not drawn upon, like the cow that is not milked, soon goes dry. There is no lack of ever-willing producers, if the application of their output to its ultimate purpose is not thwarted by greed; for "it is more blessed to give than to receive."

CHAPTER III.

Labor and Wages.

LABOR, as one of the two factors of production, embraces more than is meant in the common use of the term. The common signification is mechanical, or muscular work, the more intelligent or trained portion of such workers being popularly termed skilled laborers; those untrained, common laborers. Labor as an economic term includes the efforts of both these classes, and more. Labor may be defined only as a factor of production.

Labor comprises all human action tending to the satisfaction of desire. It includes the thought applied to inventing, planning, directing, discovering, and organizing, as well as the muscular, or mechanical effort devoted to producing satisfaction.

Labor is not synonymous with toil. Toil may produce no result. A desirable result is essential to labor. A toilsome effort usually is labor. Labor is generally unnecessarily toilsome and unpleasant. The belief seems to be widespread that results depend on strain, weariness and worry. But labor may be the greatest of pleasures. The most intelligent business decisions, good management of men and operations, are not dependent on strain and worry. Neither does labor consist in mechanical force or "horsepower." A half dozen slight persons with intelligence may produce more results than an army of muscular ignoramuses.

The more intelligent the worker is, the more he employs nature's forces. A stream of water flowing uselessly down the canon may be confined and used as a hydraulic jet to tear down and move the very mountains, with little labor, moving more dirt and washing out more gold than infinite crude labor. The master laborer, the "captain of industry," brings about an organization which turns out many times the former output. Yet wages are not generally in ratio to the importance of the results of labor to society; for the master laborers, who make not alone "two blades of grass to grow instead of one," but who make whole plains of desert to "blossom as the rose," are often so absorbed in their good work as to neglect to secure their rightful pecuniary recompense.

Workers demand a compensation for their labor called wages. As all productive effort and service is labor, so all returns for such effort are wages. Wages in common parlance refer to a payment to laborers at stated intervals by a "boss." But as an economic term, wages include the reward the president of a great railroad or the manager of a great industry receives for his efforts. Wages are not only payment from an employer to an employe, but include as well the reward for effort represented in the product of one working for himself. Burbank's profits from his botanical work are his wages. The game is the reward to the hunter; the fish to the fisherman. Under primitive conditions the laborer takes the whole product as his reward. As civilization progresses he requires capital and must divide the product with its owner as interest. Then the land from which he gets the essentials of production acquires value and part of the product must go as rent or accessage.

Education of Laborers.

The processes which multiply output must have intelligent direction. Seed will not grow with advantage unless skill directs its planting. The product of chemical action is useless unless properly conducted. The knowledge requisite to direct processes of production is called Science. Science is the truth discovered and adapted to a useful purpose. The results of science on the output of useful things in recent years are marvelous. Electricity alone, which is merely a process and not a physical entity, is doing the work formerly requiring millions of men. Output has not simply been added to by Science, but multiplied. What is the price of Science? In the main it is without cost to whomsoever would use it. It belongs to Society as a heritage from the past. In some measure Science is personal property. Some ideas and processes are vested in the private ownership of those who discover them, but only for limited periods. This is right. But only a small fraction of invention or discovery is patented or copyrighted.

Employers of labor are neglecting a most profitable means of increasing their business by failing to establish technical schools in connection with their plants. For a small cost a hall could be built, or leased, convenient to the factory and made inviting by such furniture and supplies as could be afforded. Some one skilled in the line of production in which the factory is engaged could be had to give lessons and lectures at certain periods. All sorts of literature bearing on the line of production should be kept there, available to all employes. It should not be forgotten that the cheapest employe, if given some insight into the art, may discover important improvements. Such places could also be made to serve as clubs for the men. Decorations and furnishings could be partly supplied by subscriptions of employes. Public library branch stations might be secured. In larger establishments, experimental laboratories could be had. This has been done by some proprietors with especially splendid results, both in the exceptional quality of the output and its wonderful sale.

Greater skill and intelligence of employes inevitably means greater profit to an establishment as well as the workers, and especially to society.

The public schools should co-operate with employers in this technical training, paying a share of the expenses of such teachers. The regular pupils of the public schools should visit these industries in delegations at short intervals, in charge of teachers, and study the actual workings thereof. At such times the employes and teachers could discuss the process for the instruction of all. By this means the industries would get better results from their operatives. The children of the schools would get practical ideas, instead of boarding school theories, which would encourage them not alone to select a calling for life, but would broaden their ideas. The time will come when people will wonder at the stupidity of the long hours now spent in study of "long distance" subjects, tedious history of wars, or things wonderful because far away in distance or because lacking practical import. It should be learned that the finest literary or scientific education is best grounded when based on a knowledge of the practical things right about us.

Purpose.

The first precept that should be taught the student is to seek the purpose of things; for therein is the inception of every progressive thought. What is the purpose of a window in a certain place? Is it to be looked out of, or into? Is it desired to admit the air, the sunshine, or only the light? We cannot effectively use one conventional style of window for all such purposes. What is the purpose of a road or street in a certain section? Simply to front houses on? No, it is to "go" on. But to go where on? To the center of the city or only to a more important thoroughfare, or to the car line? Is a road simply for the travel of some isolated farmers to town, or for the great streams of inter-city or interstate travel? How stupid that we have no such comprehensive system of roads, but just short stretches, which are nearly as useless as would be a fence part way around a pasture. What is a jail for? To torture and ruin those put in it, or to improve them? What are the great expositions for? To make money, or to educate? What is education for? Which is a system of railroads for; the public or the owners? What is taxation for; to make us poorer or to make richer?

It is sometimes complained that college graduates can make no more income than carpenters or plumbers; be it so —there is no essential injustice implied.

A recent article stated that Germany had carried technical education to the extreme, the graduates being unable to secure positions of advantage. But does this argue against the great advantage of such schools to Germany? Education is largely an investment made by society; and to society is due the dividend. If the education is of the right kind, society gets dividends a hundred fold.

A Northerner asked a Southern Priest if it were good to educate the negro. The Priest thought not. Why? Because of his antiquated idea of what education is. He was then asked: Is not the negro who has been taught to be a good mason, carpenter, cook or farmer, worth more to the community and himself than one untaught? "O, yes," was the reply. "Then is not that education?" asked the Northerner. And is not the failure generally in the kind and not in the quantity of education? There is too much stereotyping of education. Why should all the public schools of a State teach the same thing to every pupil in a certain grade, or year? There should be the greatest variation between one city and another, between urban and rural school; and each city should have numbers of lines of study which might be undertaken by different individuals.

What does the multitude need of Latin, or Shakespeare or Algebra? Some individual students should be able to study architecture instead of Latin, cooking instead of Algebra, economics instead of Caesar; in other words, present social sense, instead of ancient savagery and stupidity.

The science of tanning is very important and useful, but it is needless for more than a very limited number to learn it.

Gardening has more tendency both to broaden character and to be useful than too much mathematics. How to dress becomingly is more tending to elevate both individual and society than tedious volumes on how nature made mountains. Every dollar the community spends on education should demand a return, not in bookish parrots, but in greater diversity of accomplishment; greater beauty and harmony in the social man. The shaping of courses of study should be made with reference to the kind of accomplishments which society is most lacking. A good crop of aldermen should be produced and put on the market. Then might come a course of study for policemen. A course entirely without law books, for prospective judges, would tend greatly to advance civilization.

Children should be instructed in both the essence and the forms of politeness. They should be taught civic pride, how to organize and act in unison for the advancement of what they believe to be right. There should be as perfect solidarity in the army of industry, the army of civic improvement, philanthropy and progress as in the army of war.

But while bountiful results are what benefit society, are what all should strive for, still they do not, with our present greedy system, immediately determine the scale of wages. Wages are the compensation or balance between desire and hindrance. This hindrance depends on the laborers—upon what they demand for their work. Such demand depends on incentive and power. The incentive must be educated, the power organized. It must always be remembered, however, that the wages can be *but a part* of the product. Liberal wages necessitate liberal production. It is plainly impossible for high wages to result from a small output.

Labor does not compete with labor as many think, but labor furnishes a market for other labor. Isolated incidental cases there may be where it competes, such as where an excessive number learn one trade; but, broadly speaking, labor is paid with the product of other labor.

Again, increased wages may fail to result from increased output, first, because the product may be cheapened in consequence of such increased supply. Second, because labor is but one of two factors of production and but one of three recipients in the division of output. By reason of cheaper price, the increased output may not have increased value, or, having greatly increased value, such value may be taken by capital, or concession, as increased interest or rent.

The share received by labor depends on the amount and strength of the laborer's demands. Strange as it may seem this demand is not in any degree in proportion to the toilsomeness or unpleasantness of the work. In many cases it seems even to be in inverse ratio to such suffering. The most pleasant work, even arts that would almost be pursued for the very pleasure of accomplishment, often get the highest pay. Why is this? Because the more free, refuse both the work and the pay of the ox. Those little advanced have not the initiative to rebel, nor the power to compel higher wages.

There is a sentimental thought that industry depends upon these poorly-paid laborers, and a "practical" thought which seeks to keep these workers down to their present level so that they will not refuse to bear these burdens. Both are wrong. As these laborers become more intelligent and independent, so that they will refuse to bear these burdens so cheaply, there will be found a way to dispense with such tasks without discomfort to the consumer. "The man with the hoe" is not a necessity.

He "that grieves not and that never hopes" does not bear "on his back the burden of the world."

He bears a useless burden.

Who is the master which thus enslaves him?

Who but his own perverted thought, his ignorance, greed, hate or fear, his indifference to his neighbor or perhaps to even his own family?

Love is the law of liberty, enlarging the capacity and broadening the opportunity. "For all the law is fulfilled in one word, even in this: 'Thou shalt love thy neighbor as thyself.' "

There is a worthy Master to whom he may go. He says "Come unto me all ye that labor and are heavy laden and I will give you rest. * * * Learn of me, for my yoke is easy and my burden is light."

Five men in a certain great steel mill now roll with electrical apparatus thousands of tons of steel daily from ingots —an output that a few years ago would have required hundreds to have toiled in the heat. The abolition of slavery in the South has multiplied the output and enjoyment of wealth. Much work is drudgery solely owing to the conditions under which it is pursued. Tending a garden is the most genteel pursuit, or the dullest toil, according to the motive of the worker.

When workingman, as well as millionaire, learns that the true way to rise to freedom from poverty is not by treading upon others, poverty and toil will cease upon the earth. "God gave man dominion over all the earth" but not as many would construe it. He did not give one person dominion over others. The power to command others is not a righteous motive for business, or the acquisition of wealth. The proper purpose of wealth is the good it will do. Hence value, price, is not an essential of wealth in its true character, though those high in position teach that it is.

Natural wholesome labor is the result of "loving our neighbor as (being one with) ourselves." Such labor produces the great results and wearies least.

"And who is my neighbor?" Plainly the one we meet in the way; not alone the member of our church, tribe, city, or nation; but he who needs our sympathy.

The Time Factor.

One of the most important elements of labor is TIME. We would all prefer to have our time at our own disposal, to use as we please. Moreover, there are expenses which occur with the lapse of each day and month. Hence, there has arisen the practice of paying for labor by the day. This is in some measure being displaced by the piece-work system.

Workers should be given an insight into the whole scope of the business of their employer; should be changed from one phase of work to another. Employers should seek to interest workers in the final results and not treat them as machines.

All should labor. No one should be compelled to drudge. Labor is ennobling. Drudgery is degrading. The highest intellectual endeavor is labor. Application to any art, whether that classed as fine art, or commercial art, is labor. Indeed any art is "fine art" if finely accomplished. Nothing gives more lasting pleasure than accomplishment. Nothing has such refreshing and renewing effect as to see results accruing from honest effort. Surely it is a reflection of the Nature of Our Maker. What a pity that so many seem deprived of the chance to do wholesome labor. Millions are seemingly so deprived by concession's engrossment of resources. Millions more toil at depressing drudgery. Others are deprived by caste, by their belonging through birth or wealth, to the leisure class caste. But you say they might work if they would. Very truly; but it requires true courage for a man of wealth to turn aside from the selfish occupation of exerting authority, embraced in ownership of wealth, from speculation and spoliation, to wholesome labor.

It is also unfortunate that so many persons are engaged in useless pursuits. And under our topsy-turvy system of commerce this class includes those of the best, as well as those of the worst characters. For how many consider it of any importance that his work should benefit society?

CHAPTER IV.

Wealth.

THERE is a class of property that is sought for the purpose of being consumed.

To be consumed means to be used up. Not essentially destroyed at once, but in a period of a few months or years. Food, clothing, houses, vehicles, ornaments, machinery and such things, taken as a whole, are rapidly used up, or they decay in a short time after being fitted for use. Hence, to maintain a stock of such things there must be constant new supplies procured. This class of property is termed wealth.

Writers on economics for some reason seem to have had a hard time defining this class of property. They all seem to have much the same thing in mind, but their definitions are so poor that they become greatly confused thereby.

To properly define wealth is of absolute necessity, in order to have any reliable foundation for a definite consideration of the subject; for economics is the study of wealth. Some definitions call it "stored labor." This leads us astray. Others, "a product of labor," which is equally faulty. Some include notes, bonds and other evidence of credit; some even include land. By the following definition I think we may identify it under all circumstances.

Wealth comprises that class of property which is being continuously consumed in enjoyment and reproduction; and continually replenished by output.

Output means simply the putting of *new* supply on the market. It does not imply labor, though labor may promote such supply. It may accrue entirely from land or from Capital without labor. Output comprises all desirable things which come upon the market from natural causes or promotive effort, accruing periodically or continuously, in contradistinction to native or permanent property.

Land, mineral deposits and forests exist practically permanent in their native condition. They are fixed entities. Grass, animals, fruits, etc., manufactures, buildings, ships, are output. Growing crops, orchards, vineyards, etc., are output. Output and permanent property merge together until the distinction becomes one of period. Things accruing in a period longer than an ordinary generation begin to have the nature of fixities. So also do structures enduring longer than a generation. Nothing is wealth which is not from Output. Land is not wealth; it does not accrue periodically, nor is it consumed by use or time. Franchises, patents, evidences of debt are not wealth; they are not consumed in enjoyment. Grass grows without labor, yet grass is an output. But is all grass wealth? No, only that which is property, which has value from being controlled by someone.

Value is of the essence of wealth as of property in general. Is stone wealth? Yes, if for the purpose of consumption it has been moved from its natural bed to a point more available for use. Does not labor create wealth? It contributes to its value, it increases its value, by charging wages for making it more available or desirable. Does nature, sunshine, rain, soil, create wealth? No, they cannot, as they charge nothing for their service. Does not land contribute to it? No. Land grows utilities, its work is without charge. The products of land become wealth by reason of the landlord's charge for them. Is the destruction of a forest by fire "consumption?" No, it is waste. Consumption means use. Is a railroad wealth? Yes, tracks, grades, tunnels, cars, equipment and buildings are.

They are consumed through use and must be renewed. Is a city lot wealth? No. Are lots not turned out and put on the market? Lots are not an output. They are not changed from their places and nature, are not consumed. Is corporation stock wealth? No. It has not utility to be consumed.

CHAPTER V.

Capital, Increase and Interest.

WHAT is capital? Capital comprises all wealth, of which the enjoyment is being deferred that it may increase in value or be used to facilitate output of wealth. Capital is of two classes, STOCK and EQUIPMENT.

What is STOCK? Any material accumulation in any kind of industry from which a final supply to consumers is to come is called Stock. Seed, ores, wood, coal, animals, growing crops, grain for milling, fibres for spinning, logs for sawing, are crude stocks. Flour, boards, thread, leather, pig iron, lime, etc., are slightly developed stocks. Bread, furniture, clothing, shoes, stoves, etc., are manufactured stocks. Dry goods, hardware, millinery, etc., are merchandise stock which only lack selling to users. When bought by users, these things cease to be stock.

Equipment comprises any wealth which is being used to handle stock, to move, plant, cultivate, clean, separate, combine or otherwise manipulate it. Plows, wagons, horses, cars, ships, machinery, bridges, barns, warehouses, shops, fixtures, etc., when used in industry are Equipment. Capital consists solely of WEALTH. Capital is comprised *only* of *stock* and *equipment.* Land, notes, bonds, franchises, mines are not capital. Neither credit nor money is capital. Nothing but wealth is capital, and only that wealth which is *at the time* devoted to increase in value or to assisting output, which constitutes either stock or equipment. Capital depends on TIME for its effects. By allowing sufficient time many natural and chemical changes take place in stock. Animals and crops grow, wood seasons, chemical action separates various elements and combines others. Time is required to manufacture and move stock.

Equipment is made effective only by time. A mill will saw so much lumber in a day, a machine will press but so many brick, a ship or car will travel but so far with its load.

Stock and equipment are effective in proportion to the time they are applied. Here is the origin of interest. While wealth is capital, while it is being used as stock or equipment, it may not be devoted to enjoyment. One wishes to enjoy at once whatever he has. The poor child hastens to buy candy with the dime someone gives it. The adult has the same impatience, but perhaps under better control. What woman is not anxious to get her new dress home, or what man is not anxious to try his new gun? But adults are guided by reason. They will give up one thing if they are offered something equally suitable instead. They will defer enjoyment if the consideration is sufficient. The child will eat the apple green. The adult waits for it to ripen and thereby gets much greater pleasure. Interest is the price received by owners of wealth for waiting. Interest, like the price of anything, is the compromise between desire and hindrance. The desire for capital is for its advantages in industry. The hindrance to its use is owners' aversion to waiting. Owners seek as large a rate of interest as possible, but users will pay as little, obviously they can pay no more than the increase they can secure by use as stock or equipment. It is mistakenly thought by some that the average natural increase is the current rate of interest.

The origin of the word capital is from the Latin *caput* or head. The greatest capitalists of old were owners of herds. They counted their wealth by the head. Cattle on the boundless range is an ideal example of capital. In early days on the Western plains a few cows were a capital which speedily grew into a fortune. The owners were compelled to abstain from killing or marketing them in order for the herd to grow.

The Law of Interest.

Interest is that part of the increase of wealth accruing to owners or lenders from its use as capital—as stock and equipment.

Lending is but one way of getting interest. The most extensive way is to apply it to industry and get the natural increase. Borrowing and lending is a dangerous method of applying wealth to increase. The lender of capital, on the average, simply gets a part of the natural increase. Henry George seemed to think that this "increase" was limited to natural growth, as of vegetation or animals. He very clearly showed the fallacy of the old school conception of interest, which regarded as interest the increased product which labor was able to turn out, when supplied with tools or machinery, over what it could produce without them. Then he went to the other extreme and concluded that there is no power of increase in tools, machinery, etc.

Let us see. Suppose we resort to the useful illustration of the small community, a hundred workers on an isolated island. The only timber on this island is away up in the mountains, inaccessible by wagon. The only means of getting it is for some of these workers to carry it down on their shoulders, or perhaps on the backs of burros, at a cost of tremendous labor. Thus while abundance of timber is in these mountains, this community is limited to a very scant supply. After suffering from this scarcity for some time, they arrange to set ten of their number to building a flume, compensating them therefor from the produce of the remaining ninety.

This flume when completed is capital. It gives an annual increase in wealth in wood, lumber, etc., of perhaps five hundred per cent. of its cost. In other words, their new supply of wood would have taken by the old method the labor of more than half their number, whereas now it takes that of but one man. Or suppose that they had procured their water by carrying it a long distance and now dig a well. This well-capital gives them an increased supply of many hundred per cent. Or suppose that by building a seaworthy boat with the labor of ten of their number for some months, this boat-capital now allows them to procure increased supplies of fruit, fish, animals, eggs, etc., from the sea and the adjacent islands. Does not the wealth invested in the boat give a natural increase for interest as truly as though devoted to growing such things? To society, the rate of interest by such facilities is commensurate with the increase of output.

But boats and flumes do not give to their owner a rate of *interest* in proportion to what they furnish supplies in excess of what could be carried on men's backs. A modern sawmill, cutting perhaps several thousand times the lumber per employe that would be cut by a handsaw, has not interest effectiveness of several hundred thousand per cent. to its owner, but perhaps only five, or six, or seven per cent. Here is the vital point which Mr. George tries to explain by the theory that the exchangeableness of wealth averages interest, and therefore the "mill wealth" takes up its average share of the "increase power" contributed to the whole sum of wealth by vegetable and animal growth.

But there is not an *averaging* or *leveling* in the *natural increase* of output given by capital in various enterprises, whether we count the output by volume or value. This *natural increase* varies without limit in various enterprises, but it does not all accrue to the capital owner as *real interest.*

The capital owner often gets but a small part as interest. He must usually divide this increase with the owner of "concession," that is, the owner of the land, franchise, etc., on which the enterprise depends. Obviously, then, the average rate of *natural increase,* or natural advantage from the use of capital is not the same, nor has it any approximate ratio to the average or current *interest rate.* This is a vital point in economics. What, then, is the basis of the current rate of interest?

The *demand* for equipment and stock—capital—arises, as we have just stated, from the real creative increase power of capital. Those having use for it get it from those who will furnish it the cheapest, hence:

The current interest rate is the compromise agreement between accumulators of wealth and those who seek it to use as capital.

The accumulators of wealth will refuse to *save it up,* defer its enjoyment, below a minimum rate, depending somewhat on how much it reduces their subsistence expenditure below their "standard" of living. Hence, the rate of *interest,* paid to capital, invested in the most productively effective equipment, is no more than in the most common essentials of industry. A sailing ship, on the average, even to-day, pays as good profit on the amount invested as the most modern steamer. The share of output which is the *result* of the use of capital is the increase of output caused by the devotion of wealth to purposes of increase; whether as seed for planting, stock for growing, machinery or equipment, ships, railroad rails, ties and cars. All true capital gives a real increase from which interest is paid, and as capital may be augmented or replenished from the general fund of wealth, there is a leveling or averaging of the rate of *interest* of wealth devoted to every purpose.

But may not any property in any use pay interest? In the common use of the term, yes. One may pay interest on the price of a piano or a watch, used alone for pleasure, or for the price of land. This should be termed fictitious interest. All property is exchangeable. A cow may be exchanged for a dress, money for merchandise, credit for money or machinery. Now interest for capital is based on the time it is used and its VALUE, on the amount of *wealth* or *value* comprised in the capital, and not on its utility. Ten men may each borrow a thousand dollars' worth of capital to use in ten different branches of industry. Each pays the market rate of so much per cent., irrespective of what it increases output. Because a steam thresher threshes out thousands of times the grain that could be threshed in the same time with a club, that does not determine its interest value. Its interest value is based on how much wealth it *comprises,* how much value it is postponing the use of. A brush not worth two cents, dragged over a field, may do the work of a thousand hoes, yet not be capital. The lenders do not care whether threshers, railroad cars, or printing presses are procured with what they lend. They expect so much interest each year for each hundred dollars value. Interest is the *price* of deferring. It is paid *out of* increase.

If one has property which specifically may not be applied as capital—as stock or equipment—he may readily exchange it for the same value of real capital; hence, if he lend it to another or sell it to him to be returned or paid for in a year, he will expect the same interest that he could have received by exchanging it for real capital and letting it be used in industry. Governments formerly were heavy payers of fictitious interest with taxes wrung from their subjects. Money is not capital, because on the average it neither grows, nor causes to grow with lapse of time.

There must of necessity be a fund accruing to pay interest; people cannot pay interest very extensively unless it is accruing from what the debt was incurred for. Deferred payments for land are the greatest source of fictitious interest. But the land may pay rent. The borrower looks to a particular species of wealth when he borrows—certain tools, engines, structures, which will facilitate production.

A stock of a certain species of goods whose value is being made greater by being shipped to another place or by being retailed to consumers, is capital. Only a fraction of capital is borrowed.

An increase of capital in a community or nation tends to increase the abundance of subsistence for all, hence its use should not be discouraged by capital being taxed.

But the effects of Time are not alone to increase or improve wealth but to destroy it. When any natural deposit or resource is moved, modified or changed from its natural place or condition to make it more useful, from that moment it must be cared for and further improved until ready to be consumed, or time will begin to destroy whatever value is promoted in it. Time is a destroyer as well as a producer of Wealth. This tendency to decay is one thing that distinguishes wealth from concession property.

Time does not destroy, but renews Natural resources. Cut timber rots, quarried stone slacks, mined coal becomes useless. Loss and destruction also come unexpectedly and take wealth away, so that by deferring use we may forever lose it. Risk therefore joins with impatience to increase owners' reluctance to defer use. Good government reduces risk and thereby promotes accumulation of capital.

Capital is one feature which distinguishes civilization from barbarism. This is both because Capital contributes to civilization, and because civilization eliminates enough of the risk of loss to encourage large accumulation of capital. Capital in the United States to-day is perhaps safer from violence than it ever was anywhere, at any time before. This is *one* of the *many* objects of government. But much yet remains to be done, not in protecting wealth from violence, but from the processes of manipulators of finances, stocks, and real estate speculation.

No credit is capital. Credit which represents the price of stock or equipment constitutes a quasi-ownership of such capital which we might term LATENT TITLE to capital. This Latent Title of the creditor is subject to the active, apparent, title of the borrower. But credit for which the debtor received no real capital, but only land, personal consumption, or loss, has no relation whatever to capital.

Real capital increases the actual supply of wealth in the community. This is the class of capital usually considered in economic study as capital.

Wealth increasing in value or contributing to the increase or creation of other wealth is actual Capital. Nothing but wealth can be Capital. Crops growing, goods in transit to where their value is greater, materials in process of improvement in shape or quality, are capital.

Much confusion has grown out of misunderstanding the function of capital. It was formerly said to be to supply stock and equipment to be used in the work, and a fund to pay wages called a wage-fund. Modern economists of any discernment see that capital does not supply a wage-fund. That fund is continually produced by workers. The proprietor of the producing concern exchanges another form of property to the workers from time to time for their share of the product. This may be money, credit, or other merchandise. Whatever is so exchanged is called wages. The workers now have not more wealth, but it is of a kind more ready for their use. The proprietor has as much or more wealth, but must market it. A manufacturer finds at the end of a week an increase in value of stock by reason of work done on it, of more than $1,000.00. He buys this by paying the workmen $1,000.00 wages. Suppose he has stipulated that they should have so much wages; that does not change the fact that they are producing them in the new wealth created.

But it is argued that the manufacturer must have this fund to begin with, else he could not pay the wages. Do not all manufacturers get the money from week to week, and month to month to pay wages, from the sale of goods? But grant that they do not sell the stock before pay day or before several pay days; that they must go on buying the workmen's share for several pay days, before entirely completed or marketable output is furnished, what is this but buying an added supply of more nearly finished stock? Is it not common, usual, for stock to pass through many hands before completion?

Suppose one is making articles of steel from steel bars which he buys; then he builds a rolling mill and rolls the bars; then a furnace and makes the pig; then ovens and makes the coke; then mines and digs the coal. Now is he not as truly buying coal when he pays the miners wages, or pig when he pays the furnace-men's wages, as when he formerly bought such bars in the market. What appears to be a wage fund is rather a part of the STOCK FUND. Production is a continuous process. The Singer Sewing Machine Co. sells so many machines each year, and pays so much wages, just as truly as it pays so much wages and sells so many machines. The producer of food is continuously exchanging some of his stock for part of the stocks of fuel, fabrics, etc.

The average opportunity to use capital profitably in manufacturing, shipping, agriculture or merchandising, determines the demand for it. When such undertakings are profitable much capital is sought and interest is higher. When they are dull interest rates are low. When those undertakings are prosperous there is prosperity. Wages are also high. When interest is too low people refuse to devote so much wealth to capital. Some that has been so applied is consumed, some wasted.

Wealth is like a stream. It flows from the springs of output continuously. There may be lakes or partially stationary water through which a stream passes. Water taken from such places is the same as taken from the stream; it is replaced from the stream. Some portion of wealth appears to be fixed. Buildings, bridges, etc., are quite durable. Some economists make much of this slight distinction. But where is wealth that is not deteriorating by either decay or change of style? How much machinery, or printing presses, or ships, or railroad equipment of ten years ago, is of much value now even if as sound as new? Now, just as water is taken from a stream and diverted to turn a dynamo, so is part of this stream of wealth diverted at or near its source into capital.

The water is taken from a certain Western irrigating ditch to produce electricity and then returned to the ditch, thus producing a considerable additional supply, pumped by the electricity from wells.

So capital is returned to the stream of wealth augmented. Prosperity is increase in the output and enjoyment of wealth. In common parlance all property is, indifferently, called wealth and capital. The definite distinction seems impossible to many writers on economics. The distinction between wealth and land is very wide. Land exists naturally. Wealth is largely the result of human initiative. It is accumulated for capital by the passive effort of humanity. If the whole supply of wealth were destroyed it could be almost completely restored in a few months by effort and abstention. The supply of land continues as it has been. It may not be increased, but its price and the rent for its use increase with population and progress. He who produces five hundred dollars' worth of wealth a year may consume but half of it and apply the other half as capital.

There is perhaps three times the capital now in the country there was ten years ago. There is no limit to the supply of capital that might be furnished, except the limitation on the opportunity to use it.

Hence, Labor and Capital are the partners of Production. They are the human forces that change native elements into those things we desire. Interest is as just and meritorious a charge as wages. The payment of liberal interest helps replenish wealth. Accessage is the predatory charge. Any person, if he have opportunities, may labor and cause output of wealth. Any person who lacks capital may save it if he is producing an output. Laws which seek to limit interest on loans to a rate below the current average abstention price of capital are not only ill advised, but futile. Reasonable usury laws protect the inexperienced from disreputable sharks. But liberal rates should be allowed, especially where payments may be made in monthly installments, and notes should never be taxed.

The tremendous excess of the rate of *increase* from capital, above *the current rate of interest* that is allowed the investing public, is not commonly observed.

PART FOUR.

Sharing of Output.

CHAPTER I.

Concession.

"My people are destroyed from lack of knowledge."
—Hosea.

HAVING examined the function of Labor and Capital in production, we see that they transform the resources of nature, assisted by science and the advantage of social progress, into wealth and service for the satisfaction of desire.

But we find that labor and capital do not receive as the reward of their service all, nor nearly all, of the product. There is a third recipient of output which, though it neither "toils nor spins," receives a share larger than either labor or capital, perhaps larger than both. This third claimant may be termed "Concession."

In current works on economics the term "Land" is used. It is not by them restricted to agricultural or any particular class of land, but is meant to include such control as may be obtained of natural elements, to compel the payment for their use.

This use of the word "Land" to designate such authority, seems to me to be not only confusing, both to reader and writer, but even with the meaning assigned to it by such authors, inadequate to cover the sharing of the third party to the division of output. It was adopted long ago when agriculture was of much greater relative importance, and when franchises and monopolistic property was of small relative consequence.

"Concession" is a word which we have not seen used in this connection, but we need not use it in any other sense than that defined by the best dictionaries. The Century Dictionary defines Concede: "To grant, as a right or privilege; yield up; allow." It defines Concession: "The thing yielded; a grant; specifically applied to grants of land, privileges or immunities made by government to individuals or companies."

"Concession" or "Concessions" include grants of land, by special enactment as a bonus to encourage the undertaking of an enterprise presumed to be of public benefit; patents to land under a general law; franchises permitting the carrying on of certain kinds of business. Franchises may or may not include the use of public streets, roads, or other spaces, but may depend on certain favor or patronage. All the above "Concessions" are definitely warranted or granted by direct assent of government. Besides these there are vast millions of dollars' worth of Concessions which are by "common consent."

The Century further defines Concede: "To admit as true, just or proper; to acquiesce in by silent acceptance." This class of concession is of vastly greater importance than is usually perceived.

It is habitual to concede important privileges to persons simply because they have become established in their enjoyment.

For example: Preferment in politics is often given to old citizens, or to descendants or relatives of those who formerly enjoyed some privilege. Often this seems to result from the strange phenomenon of thought observed by Benjamin Franklin, that when one has once accommodated or befriended a person there is a greater incentive to do so again. Castes rest on this strange influence.

Again, courts recognize title by use. One may include an area of another's land in his enclosure for a certain length of time and acquire title thereby, or allow use of land for a road and lose title to it.

Hence, concession is first by acquiescence of the people and second by grant of government.

Acquiescence is the usual basis of authority. The power and domination of big corporations are greatly magnified. Trusts rest principally on the cowardice of the individual. The most ardent democrats will usually take off their hats to royalty. The enslaved masses are fettered by their fears of their supposed masters. They are made slaves by their acquiescence. If you can arouse in any class of oppressed humanity the incentive to be free, and get them to investigate, they will find their oppressors have no power save that conceded by the oppressed. Political bosses rule by this common acquiescence. This is a principle of economics more important than is at first apparent. Therefore, "Know the truth and the truth shall make you free."

Current works on economics treat Land, Labor, and Capital as the three recipients of output. They say that Land receives Rents; Labor, Wages; Capital, Interest. As so considered, Rent, Wages and Interest embrace the whole product. For the purpose of comparison we shall call the share received by Concession for access to the opportunities it dominates either "Rent," or "Accessage." "Accessage," or "Rent," as here used, shall include what is commonly covered by the economic meaning of rent, and in addition, that vast revenue commanded by concession other than land.

The most important form of monopoly is land; that is, the surface of the soil and the deposits upon or beneath it. The next in importance are franchises for railroads, telegraph, gas, electric, and other service corporations, having permission to use public space or having eminent domain.

Then there are such companies as banks, which enjoy the privilege of issuing currency, and other concerns enjoying special privileges, patronage, subsidies or immunities. Much valuable property rests upon the monopoly enjoyed by concerns which perform a function which is a *unit* by its very nature, but not having any franchise, as commonly meant, such as the telegraph, express, sleeping cars, associated press, etc. There is a tendency in this direction by ice, milk and many other businesses of supply. The concentration of certain lines of business into a unit or monopoly is as natural as gravitation.

Production is the result of Capital and Labor applied to preparing and marketing natural resources. But production can scarcely begin before it meets a hindrance to the use of these resources. The producer finds that he has been preceded by those who have laid claim to the native resources he must use and with whom he must make terms. The fertile land, the mine, the forest, the best positions along the trail and near the water supply are early appropriated.

As towns and cities advance, these claimants advance their demands. Society, with its weakness for acquiescing in WHAT IS, has generally conceded even the most unreasonable of these claims and confirmed them by grant or CESSION, thus giving to a few what is the birthright of all.

When Robinson Crusoe was alone on his island, every tree, shrub, plant, animal or stone was rightfully his for his exclusive use. But had another party of, say, ten persons been cast on the island as he was, could he still have rightfully claimed everything to their exclusion? No. His stockade and bungalow and any other of his productions should have still been his. A small child could answer that question. But the harbor, land, trees, rocks and streams were as much for the use of the new-comers as for him; and it would be a strange party with superior force that should not compel him to share them.

But suppose another addition of 89 people, making a hundred in all, should their rights be less?

Suppose then that they apportion the island, alloting to each a certain tract. Now when another person arrives what shall his rights be? Why not just the same as that of all the first hundred?

To whom does Boston Common belong? To those individuals who landed on Plymouth Rock, and died centuries ago? No, to every inhabitant or visitor of Boston whenever or wherever born. To whom does Yosemite belong? To whom does New York City rightfully belong? To every American, native or adopted; to Society, and society does not mean part of the people, but all of the people at all times.

Concession consists of access to all or certain resources in a given territory to the total or partial exclusion of others. It may extend in scope over an acre or less, or over a State. That class called land title usually carries the exclusive right to all the resources of certain land for all time. Franchises are usually limited to the marketing of a certain kind of supply and are limited in time. Patents are only for the control of newly devised articles. They cover the whole country and are limited in time. Trusts, by combinations of advantages, control the market for certain utilities.

Output is divided between three takers: Concession, Capital and Labor. Concession charging access; capital, interest; and labor, wages. Not according as they promote output, for there are but two factors to production—Labor and Capital. Concession does nothing to promote or cause output, yet it would be master in the division and have Labor and Capital take its terms.

It is common for economists to class Land, Labor and Capital as the factors of *Production*, saying that for production land gets rent; labor, wages, and capital, interest.

This is confusing and misleading.

Rent is never paid to *land* but to a landlord, nor do landlords *as such* in any degree aid production; as laborers they may, or as capitalists.

The only intelligent statement of production is to limit it to two factors, labor and capital.

Value Emanation.

Value or *property* emanation is not production. The very entity of property is *price,* while the ultimate of production is *satisfaction.* Price hinders instead of helping satisfaction.

Even as a factor of price-promotion "land" as soil, mine, or forest, is not certainly meant by such economists, but its owner, who draws rent. Sunshine aids production quite as much as land, yet it does not take a share of the crop. Owners of land by charging access do indeed enhance the cost, or hindrance to getting such things, with the result of greater price to the consumer. In truth the whole value of output in specific cases may rest on the landlord's charge. This does not make it his *product.* It simply gives the product value because it restricts it.

He simply *takes* the whole natural growth as his rent, as his advantage of access to the land, his access fee. Now when we give a definite meaning to "Production," we eliminate the "concession man" from it as a factor. We then have two persons, the laborer and capitalist, producing from natural resources. Yet the product must be shared with a third person for simply being master of such resources. In practice the holder of concession often furnishes the capital required in production; in some instances he uses his own labor, but in this country to-day, perhaps more than half the output is taken by those who simply own the concession. In most cases they neither work, furnish capital, nor even superintend. Hundreds of millions are added to the cost of farm products as rent for lands; to the cost of merchandise by rent of business sites. Occupants of city apartments pay landlords seldom or never seen.

The Analysis of Property is as follows:

Desire$\times$Hindrance$=$Value$=$Property.

Hindrance$=$Accessage paid concession$+$Reward paid for production.

Reward=Wages+Interest.

That is, the three hindrances to output, wages, interest and rent, by limiting the supply, maintain the value of wealth. They constitute the Consumer's Cost. The consumer either directly, or through dealers and exchange, must ever pay the sum of these three elements of cost, or hindrance to supply.

The Essence of property is mental.

Value is not in any degree in proportion to any material element, but is wholly dependent on desire and hindrance—"sought-afterness" and restriction, and the measure of the value is the measure of the property. So much value is so much property, the property being not the *goods* but the value of them. The property, or value manifested, in any quantity of goods is subject to the above analysis. Like the mercury in the thermometer value rises and falls, not from a force within things, but from a force without, the change of mental estimates of demand and offering.

But on the *average* the value of commodities is their cost of output—the reward of production plus accessage; as on the *average* they may not be had cheaper, and no greater *cost* will continuously be incurred than consumers will consent to pay. Consumers desire not coal but heat. Coal is one means of supply. The Hindrance or cost of coal is the accessage paid to owners of coal land and railroads, plus the producers' reward—the wages paid workers at mining and transporting, and the interest due for equipment of mine and carrier. These two constituents of restriction, accessage and reward, in varying proportions, comprise the cost of all wealth.

Taking for example a bushel of wheat, of what is its value or cost made up? Its cost is the rent, perhaps half, and the grower's reward, half; or a city home, the lot is perhaps forty per cent. and the house sixty. Of the price of the house, maybe thirty per cent. is accessage to owners of forests, etc.

Now we must all admit the justice of rewarding those whose efforts have cared for the crop or fashioned the fabric for our use, but when we buy we must pay, not alone this reward, but added thereto the charge of them who have contributed nothing at all, but have impeded all output until they were paid toll. Though concession's revenues are without one scintilla of justification, yet the earned wealth that is taken as arbitrary charges is past comprehension. Consider that owners of all our coal, iron, lead, copper and precious metal mines; all our agricultural land, oil wells and public service franchises are absorbing the enormous revenues which sustain their values, and returning practically no compensation to producers and society who confers them.

No one can get the smallest amount of property without either earning it or taking it from others.

But we hear it argued that the owner was early to get such well located lot before the city grew. He should reap the reward of waiting; yet have we not, everyone, *waited* since we were born?

Nothing has less merit than priority. If I am first out on the street in the morning, should all turn aside for me? Is there even any justice that he who rides in a street car from the terminus should get a seat, while he who gets on in the middle of the line should stand, though he pay as much? A reserved seat is sold at a theater, on just principles. "First come first served" is a rule without equity.

The farce of the superior rights of the old citizen, in politics, and preferment in general, is founded on the same false sentiment. It is a well-known fact that the later comers into a community are the ones who put life into it. When the mails came in the spring to Alaska, people would stand in line for hours and hours waiting. Twenty, forty, fifty dollars would be paid for a place near the head of the line. So we have, and so we will have, scrambles for wealth where priority is its price. But the man in the front of the line has done nothing to entitle him to preference. Should another door be opened and the line reversed no injustice would really be done.

There is no justice in the rushes permitted to be made for land in opening new districts by the Government. Someone hurrying to be first does the public, whose the land is, no good. Should a mob break into a store and carry off the goods the front fellow would be not less a thief than those behind him. Plainly to make people race for native resources is not intilligent. What value they have belongs to the public, and the public should receive a full compensation, and so with franchises.

Busses are run in a street; the right of way is free to all, but some one of intelligence says: "Let's lay rails and put on cars and run them by electricity and carry people more cheaply, easily and comfortably." Yes, but who is going to get the privilege to do it? Every one may not have tracks on the same street as they had busses. So they go before the council and he who can use the biggest "persuasion" gets the franchise. Now it is not wrong to have cars on the streets, but this way of deciding who is to do it is wrong. The franchise is of value to the public, and the public should receive its Natural Rent. When the public gets none it is robbed.

CHAPTER II.

"Living" Rates of Interest and Wages.

UNDER the individualistic system, three recipients, Capital, Labor and Concession, take all of output. They do not all share in every instance. Sometimes there is output without rent, sometimes without capital's use, sometimes without labor, sometimes, indeed, without either labor or capital. Grass grows without labor or capital, and is sold standing. Again the most inestimable services often require neither capital nor concession.

Rent or accessage is that profit or income accruing from the control of land or other natural or social resource.

Rent is not limited to a periodical payment in money or goods made by renter to owner, but consists as well in the profit income or advantage secured, by the owner's use of his own land.

Wages are not limited to the narrow meaning of money paid to someone hired. Wages are any reward, however received, for active human exertion, applied to production or service. Under the most savage conditions they include the whole output. The primitive hunter gets all the game as his wages; the miner all the gold he washes as his wages; the pioneer gets all the wood he cuts from the wild woods as his wages, all the crop he grows on the free land until the land assumes value and has ownership, or until equipment is used of enough value that the interest on it is worth considering.

Interest is that part of wealth's increase which is given as a reward for deferring its enjoyment, whether paid to its possessor or to its lender.

Manifestly, one person may derive his income from one, two, or all these sources combined. He may labor on his own land and use his own capital.

Under the economic meaning of wages, the salary of the railroad president is as much wages as that of the section man. The earnings of the greatest architect, chemist, painter, musician or actor are his wages. The owner of a great factory may derive his income:

First, from the advantage which the ownership of the site gives—rent.

Second, from the benefits of his work of superintending it—wages; and

Third, from the increase accruing to the capital represented in the building, machinery, stock being finished, etc. —interest.

Sometimes the whole product goes to Labor as wages, or to capital as interest, or to concession as accessage, but most commonly they all share in some degree.

Now what are the laws which determine the share which each shall receive? Is there a scientific determination of this important question? If not, there can be no Science of Economics. Many theories have been advanced and have gained more or less adherents, but let us see if these are universal *laws*. We shall use the terms Rent and Accessage, and the terms Concession and Land, as synonymous.

Let us first seek the law of Rent or Accessage. Rent is a charge for the use or advantage of land or other opportunity; land being the most simple or concrete form of such opportunities. Its possession must always give some advantage before rent can be charged. A business lot in the heart of a metropolis may be worth to the user $1.00 per square foot a month, but as we go down the scale of business lots, we finally come to a grade which will only be used when rent-free. So in agricultural land, some is worth

$20.00 per acre or more rent, but a lower grade, by reason of remoteness from centers, etc., will only be used rent-free.

Land of such value as to be used when rent-free, but for which no rent at all will be paid, is said to be at the "margin of rent." That is, the worker believes that the output will give him wages, but not enough more to pay any rent. If one cannot make an output on land which will exceed in value the wages and interest he may otherwise make, he will not pay any rent for it. If he can make twice the amount of such wages and interest, he will probably give *half* the output as rent. Hence we have deduced the following law of rent:

The rent which will be given for a piece of land is equal to what the output from it exceeds the current rates of wages and interest for the quantity of labor and capital used.

An intelligent merchant is guided by this law. If he is offered one store room rent-free and another at $1,000 per month, he will take the latter if he considers he can make $1,100 more in it. A manufacturer will not take as a bonus from one city a building rent-free, if he can pay $10,000 rent in another city, and make $11,000 more. This law variously stated is commonly acted upon.

There are many very mistaken theories about rent, pretty generally held amongst real estate men and investors, and one is that rent and the consequent value of property in various cities is commensurate with the population. Another basis of figuring is on the business of the city. Neither is in any degree to be relied upon. Prices of property and rates of rent in a city are more or less arbitrary, and depend principally upon the understood or tacit agreement among owners to make them high, and the degree of resistance on the part of tenants. Property is more likely to be high in a city where it is largely held by prosperous people. In cities where the lots are large with each residence, they may not be higher in price than small lots, where lots are generally small. Other things being equal, the rate of rent in a city is proportionate to the local expenditures of its citizens, or broadly, to their standard of subsistence. The prosperity of a city depends not upon the native abundance of material resources near it but upon the right thinking of its citizens.

High interest, while wages are yet low, means that labor will be diverted from producing wealth for consumption to producing wealth for capital until an equilibrium is reached between wages and interest. High wages while interest is still low, means that labor will make little new capital while old may be used, but will be employed at producing wealth for enjoyment, and that laborers will become consumers of wealth more largely, thus tending to lessen the portion available for capital; that there will be greater demand for capital to be employed in conjunction with greater demand for labor in production, which will tend to increase interest rates. Low rates for interest means slack industry; means that little labor will be employed in producing new supplies of capital. Every laborer getting good wages may participate in the benefit of high interest rates by saving and investing. Not so with accessage. The gas works, the telegraph, the railroad, the express company, may increase their profits while both interest and wages are lowering.

It must not be forgotten that wages mean not alone the stipend paid by employers, but the part of the output received by those who are their own employers. Some seem to think that high wages tend to limit output, but when wages are so high that employers might somewhat cut down the number of employes, will not products be in such demand that laborers may employ themselves? History shows that the greatest output is coincident with the highest interest and wages. But if rents get too high, production contracts. Too high rents—all rents, tend to lessen output. This does not imply that high interest and wages always tend to lessen the income from land or other concession. A large production means more to divide, and all parties to the division may receive more. But when excessive rents absorb and consume, so as to stop industry; when that which replenishes capital is wasted; when the ultimatum of labor is refused, rent also drops.

Labor and Capital, being the productive factors, are partners in the sharing of output, as Henry George has rightly stated. Here, however, we must begin to disagree with George's teachings, for they proceed to fix a certain share as rent, and then compute the joint share, the Reward of Production, by deducting rent from the whole product. We shall proceed to determine the shares of Interest and Wages separately, and then find the share of rent by subtracting their sum from the total output. Let us first ascertain the share of labor.

The law of Wages is:

The minimum wage in a given community is that rate below which workers will refuse to produce.

This *refusal* depends principally on what it takes to maintain the standard of living that has become usual to the various classes of workers in that community.

The law of Interest is like unto that of wages:

The minimum Interest rate is that below which those acquiring wealth will refuse to save and devote it to reproductive use.

This *refusal* is also based somewhat on the standard of living usual in the community. For people with small incomes will, in one community, be content with meagre subsistence while they save for a low rate, simply because such standard of subsistence is common among their class there; while in another place it would take double the rate to induce them to dispense with the more costly living which is there common.

We have now determined both Wages and Interest to be founded upon *refusal* to take less, and having determined them, we may now ascertain what is the share of rent, by deducting this sum from the total output.

The share of Rent is:

What is left after paying wages and interest.

Let us try these rules on a practical problem—to cultivate a certain piece of land requires ten workers and $10,000 capital. With interest at 6%, and wages at $1.50 per day, the output will pay such Wages and Interest and leave, we will say, half the output for rent. But if there is such increase of wages and interest as to add 50% to the total Reward of Production, then but one-fourth of the output will be given for rent. And if the Reward of Production should double, such land would bring no rent.

Hence, it follows *that the "Margin of rent" is where Labor and Capital will refuse to operate for less than all the output.*

Now George, so logical in most of his reasoning, here falls into the greatest error. He determines the rent of land to be that amount by which the output exceeds that of land at the "Margin of rent," just as we do, but he fails ever to determine his "Margin of rent." For his only definition of the "Margin of rent" is where land will pay no more than the Reward of Production, and his Reward of Production is the whole output at the "Margin of rent." Hence, he is but reasoning in a circle.

He does indeed say that the "Margin of rent" is "where land may be had by producers free of rent," but is it not plainly obvious that no land may ever be had free of rent except simply such as will produce no more than the Producers' Reward? George determines Wages and Interest, this Producers' Reward, for the whole community, to be no more than can be made on this free land, this "no-man's-land," lying loose in the commons. What a meagre reward! It is only that of the Indian.

Further, it is evident that in actual practice such land may seldom be had free, as *it* is taken up by speculators long before it is worth working. Nor can anything but remote relations be traced between wages in congested centers, and distant places where land is free. Wages in St. Louis may average $2.00 per day, while but 30 cents can be made on the nearest free land. *This "Margin of rent,"* which under the present status of industry marks the rates of "Living" wages and interest has no relation to "free" or unappropriated land, *has,* in fact, *no relation whatever to land ownership, but to the accustomed standard of living.* The "Margin of rent" refers to a condition of thought, and not to areas or locations, not to some hypothetical grade of land which remains "uncornered."

This doctrine of George's is not only unscientific, but fatalistic. It is the weakest point in the logic of this great man. It presumes an absolute authority and power in the hands of Concession Holders, which, like the laws of the Medes and Persians, cannot be gainsaid, instead of attributing to them only such power as is *conceded* them.

Correct Reasoning Hopeful.

Education has created the widespread desire for wealth among us. Education increases desire as well as production. Education extends in many directions—in habits, tastes and appreciation. Educate the natives of Congo and how rich they will become. Education is real or imaginary. We are getting some of the real kind. Much of the kind which has been called education was not education, but the worship of dead relics of a dead past. We want live education—a knowledge of principles—that does not wait when something good is proposed to be done, to ask: "Has it been done before?" "What did Caesar do?" The new kind of education will not consult the attorneys of hereditary interest. Real education teaches of the Truth, "which is the same yesterday, to-day and forever."

Neither destitution nor starvation can subjugate men who *know* their rights and have brotherliness enough to stand together to maintain them.

"Poverty" has indeed followed "Progress."

What is the remedy?

More progress.

Men were not constituted to exist isolated in the wilderness. The are brothers. When civilization shall have become enough civilized, men will be brave in the fraternal demand for what is their own.

The resort to free land is but one of the least important alternatives of labor and capital. This is not denying the good effect of the extension of the area of production. The irrigation of the arid lands now progressing, means much. The drainage of swamps soon to be comprehensively started will mean a great deal more. It raises the standard of living, and so raises wages and interest.

Greed is the greatest enemy of progress, but greed is not confined solely to the opulent. If all those who have one talent would not bury it, but would use it for humanity, the millennium would soon come.

The true statement of the laws of Output's division gives hope. It puts the responsibility for wages on the workers. As they improve themselves, their wages will improve. In proportion as laborers as a class improve themselves morally and intellectually, their condition will improve; for with this moral and intellectual improvement will come an increase of self-respect and independence which will raise their standard of living. When laborers put aside low ideals of value, that of spending for drink and other evil habits, or for sordid selfishness, there will follow better ideas of justice and fairness. "They will know their rights and knowing dare maintain." While greed continues the motive of effort, while men covet wealth that they in turn may dominate others, they shall themselves suffer from greed; for the "propertyless" class have the same lack of appreciation as have the rich, that the true value of wealth is the good we may do with it. What share of the product labor will accept depends on the laborers' incentive for a larger and better use of wealth, and their power to demand it.

If workers and conservators of useful wealth may *refuse* less than a certain share of output, they are not then entirely helpless under Concession's demand for tribute. One evidence that producers have this power to refuse is manifested in strikes. No one will deny the energy displayed in strikes even though they doubt their wisdom. "Proprietorism" has come to recognize their force, even though it disputes their justice or wisdom.

Labor strikes are too familiar to all to require comment, but Capital *strikes,* though far more widespread in their disastrous results, are as yet a force generally unrecognized and misunderstood. Their dire effects are well known to all, but the attempts of popular "doctors of commerce" to diagnose them have been as erroneous as it would be to take indigestion to be measles. However much we may deplore strikes, it nevertheless remains a fact that the present measure of wages and interest is determined by strikes.

What is a Capital Strike?

In order to answer this question we must continually bear in mind exactly what capital is, and what true interest is. Capital is the nutriment of Commerce, and we must not confuse the lack of nutriment with a blood disease. Unless we really know what capital is, we cannot recognize its functions and effects, nor the source from which it comes; then how can we expect to understand the real nature of these periodic hard times which are nothing but commercial malnutrition?

George's misconception of the basis of interest clouded his treatment of this subject. His error, that interest rests entirely on animal and vegetable growth and increase, misled him to the conclusion, that the prevailing increase given by capital depended on the amount of such growth; that other forms of capital than those subject to such growth, by some mysterious means, took up or absorbed a share of this potency, through the exchangeableness of wealth, until all capital took on an average interest potency. In other words, his theory was that the rate or percentage of increase given by capital is the ratio which this animal and vegetable growth bears to the whole total of capital.

This theory has been quite generally accepted, perhaps because it is so vague and mysterious, and so far from the simple facts. A magazine article in the summer of 1907 laboriously explained the apparent shortage of capital as occasioned by the fact that manufactures and transportation interests were expanding out of all proportion to agriculture. But pray, what are transportation and manufactures but means to make products of the soil available? What tends more to such products' increase than the facility of transport?

When we start from the actual cause and measure of interest we miss all this vague, mysterious reasoning.

We see that interest, like wages, is simply a compensation for reluctance. That *increase* depends no more on animal or vegetable growth than it does on transportation or education. Every species of wealth that facilitates output gives increase as much as does a herd of cattle, or field of grain, or orchard of fruit. Much confusion is engendered by the "old school" proposition that "capital employs labor," and the declaration of later writers that capital only "adds to the effectiveness of labor," or that "labor employs capital." As well might we say that "modern plows and reapers add to the effectiveness of horses," or that "horses employ reapers, etc., in agricultural work," as that labor employs capital.

The real essential entity of both Labor and Capital consists alone in the physical expression of human thought. Labor and Capital are equal factors; neither employs the other. Capital is often employed without labor, and usually without any definite ratio to the labor employed. And labor is employed without any certain relation to capital. The ownership of herds increasing on the free public domain made many rich in the last quarter century. The whole output was practically interest. This was not through the use of capital by labor, or labor by capital. The labor of the cowboy was a mere incident. The cattle simply increased, and the increase depended on how many the owner had to begin with, and how few he disposed of, not on how many cowboys he had. Much language is wasted and much misunderstanding caused by making incidents into vital factors. The definition of labor cannot, with any scientific sense, be made to include the laborer. Labor is the effective energy, either mental or muscular, which promotes production. The employment of capital in specific cases may be to entirely dispense with labor. We may intelligently say that industry or production employs labor or capital, or we may say that some person employs labor and capital. He may employ his own labor or another's, and his own capital or another's. It would be foolish to say that the section-men's labor employed the capital of the railroad, or even that the section-men employed it.

The correct statement is that capital is employed by production. The old school proposition that laborers depend for opportunity to work, or at least to work effectively, on the existing supply of capital, and that their employment is limited in proportion to its amount, is too palpably incorrect to need much argument. Capital is but the physical means through which thought is applied to the production of supplies or service. The real essential entity of any item of capital from a production standpoint—which is the only standpoint from which capital may be truly reckoned—is not its bulk, weight, cost, density, etc., but its productive effectiveness, its capacity to increase the sum total of human supplies. So true and vital is this conception of Capital that we should try to divest our thoughts of all other false conceptions. It is common to speak of improved machines as "inventions" in such expressions as "there is a new invention which produces many times the results." Is not a wheel, a plow, a steam engine, or a bridge each as truly an "invention" or idea to-day as when the first idea of it was put to the service of humanity?

What the great master, Henry George, means to bring out, is that laborers, if natural resources are available, may, by their work, increase capital without limit.

Output of wealth is from three elements: First, resources—the natural material substances and forces; second, labor—the manipulation of these natural elements by human effort; third, the addition of sums of partly developed wealth—stock—to the natural supplies—capital—and the manipulation of these "stocks" by artificially contrived engines or means—more capital.

Hence, a small sum of wealth will accrue yearly from land spontaneously; a considerably greater output can be made to accrue by human hands unaided by implements of any value whatever; this is the increase given by labor; but with the addition of capital—reserved stocks and equipment—the output can be increased several hundredfold. How much more corn can be grown with modern implements, than with a clam shell! How much greater commerce is possible from the use of railroads and ships, than could be carried on men's backs and on rafts! It is idle to call this increase an increased power of labor, for it is not. Education does give labor increased power, but this is some-

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thing very different from capital, for the most educated labor is the least effective without capital co-operate with it. There is an exaggerated notion of the importance of labor as a *creator* of wealth. It is more scientifically correct to speak of production as the *discovery* than as the creation of wealth. We should learn that our supply depends not on how hard we work, but how rightly we think.

The increase given by capital is perhaps hundreds of times that of labor. The important thing to distinguish is that only a fraction of this increase goes to capital-furnishers, as interest. A considerable part of it goes directly to the consumer in cheaper wares and the remainder goes to concession. Legitimate interest is always drawn from the *capital increase,* but its amount is not based on any ratio or percentage to such increase.

Wages and rent both are also principally taken from this *increase* which capital produces.

Wages to-day with us are many times the increase given by labor. The real increase actually given by labor would only support wild Indians.

It is well to remember that the part of output taken by either recipient is not in any sense an approximate percentage of such output. Interest is a percentage of the capital devoted, but has no approximate ratio to the output given. Wages have no relation to output. Wages are no more where the results per worker per day are $1,000 than where they are only $3.00.

George says that abstention is but a negative factor; that it can *produce* nothing. Quite true, but we are willing to pay to prevent things being consumed. We build fences to keep stock from eating crops, and pay policemen to prevent people taking our goods. Conservators of capital merit interest for deferring its enjoyment. Indeed here is the vital distinction between the equities of interest and rent, which George so persistently insists upon. If owners might, and were inclined to, eat up land, or eat up its vital forces which would not again develop for some years, then rent would be as just as interest. But owners can get no possible good from land except by allowing it to be used. So that what makes rent unjust is that they withold not alone what they need to use, but what they cannot possibly use.

The effective results of capital are as much *increase* when they *make wealth available* or usable, as though they created it out of "darkness and void." Does not the electric furnace, for practical import, create those things which were impossible to extract without it? Why then does not a railroad "create" coal for a region which could have none without it? Surely the *effectiveness* of capital consists in its increase, but the interest to its owner is a *part,* only, of this increase. Indeed there is no reason why its owner should get any of this increase but what justly compensates him for deferring its enjoyment. Capital in one instance may produce an increase of but 1 to 6% and in another 100 to 10,000 fold, yet the owner does not (and why should he?) get more interest in one case than another.

Let us repeat the simple law of interest: *Interest is the smallest price for which those acquiring wealth will save and devote it to increase.* In short, *interest is the price which the proprietors of industry must pay for abstention.*

If you lend me $10,000, what is it to you what employment I make of it? Whether I sink a shaft and develop a million dollar mine, or perfect an invention like the telephone, worth several millions, or buy cattle to fatten; you do not charge me for what I get from it, but you charge me $600 per year for your *waiting* to use it; perhaps to build you a home.

No more do wages refer to the results of labor. When I hire men to work for me for a month or a year, they rate their wages by their own reluctance, and not by size of product. If I am fortunate enough to get a big crop, or other result, they are only interested in a friendly way. No less is it true from a selfish standpoint that wages are the price of reluctance to give time or toil when workers labor at their own enterprise. They are deterred from entering lines where the product will not compensate for their reluctance.

This does not deny the fact that wages are *from* product, yet they are ever but a part of output. This is true because no one except in isolated instances would have others labor, or devote his own labor, to an enterprise that did not produce more than enough to recompense such labor.

Labor seeks as wages returns to maintain its wonted standard of living, hence "living wages," and capital seeks interest as a recompense for saving. Reluctance to save is influenced, as we have noticed also by the accustomed standard of living. This has an important bearing on results; for labor and capital, thus basing their demands on their accustomed needs, take little cognizance of a multiplying output; hence Concession continues to give these "usual wages" or hiring wages during advancing prosperity, and has left as its share, not only a multiplying quantity of wealth, but a multiplying *percentage* of output. This is the reason that rents and franchise dividends double up with prosperity, while wages stay so much per day, and interest so much per hundred dollars. Why the merchant and farmer pay more rent, yet are glad to make as much. Here is the source of the common phrase, "making a living." Concessionists don't figure to "make a living," they take "all the traffic will bear."

The shares of wages and interest are in a manner fixed at so much money per day for various classes of labor, and so much money per year for each hundred dollars capital devoted. Especially is this so of wages paid as a periodical stipend, and of interest paid by borrower to lender. Interest is no more a percentage of output than wages are.

One must figure the *percentage of gain* he is deriving from an enterprise, *not* by taking the *ratio* of his *present profits* to his *initial* investment, but the *ratio* of *present profits* to the *present value* of his holdings in the enterprise. This is the *current rate* of profit.

We must particularly observe that the *present* investment is to be taken as the basis of profit deduction; not an investment of long ago. That is, suppose one makes an initial investment of $10,000 worth of horses and wagons for draying purposes. At the end of a month, or a year, he should make a balance sheet and inventory of his capital. Perhaps the horses have increased in value, perhaps decreased. Perhaps he has accumulated from the business more horses, wagons, cash or other forms of wealth until the assets of the business is $12,000 after allowing salaries to himself and other employes. He has then made 20% profit on his capital for a year. But unless he takes this $2,000 out of the business and devotes it to other uses, he will then have, not $10,000 capital invested, but $12,000. At the end of another like period it may shrink to $10,000 or $9,000. Every business man does, or should, balance his business at least once or twice a year; that is, in a sense "close it up and start over" by *reinvesting* the assets which the inventory and balance sheet show to be then on hand. The rates of profit must then be calculated on this reinvestment.

The profit through the use of capital is *from* the increase or reproduction which it gives. The rate of *interest* is but *the part of* this increase which the *real furnisher of capital* actually *gets* and not what it produces, for much of this increase is most commonly taken by concession. This is the vital point. Capital really invested in a gas plant might show a return to the investors of 20 to 30% if based on the ratio of annual income to *real wealth assets*. But here we must not forget our reinvestment rule. Its last balance sheet may show real wealth assets 30% and franchise value 70%. Hence supposing its capital be $1,000,000, what then is reinvested consists in $300,000 real wealth, and $700,000 concession. Hence, seven-tenths of its income is accessage and only three-tenths real interest.

The stock and bond issues of such companies are usually kept up to the total value of the wealth and concession assets combined. That is up to an amount on which the net income will be somewhere near 5%. If new capital is desired the investing public is asked to furnish it at this rate. That is, the public is asked to furnish real capital on such a basis that it will only get a fraction of the *natural increase* which the capital employed by the enterprise really produces. Now what is the result of this? Simply that with a rising tide of prosperity, which comes periodically, the ample funds of capital are not offered a participation in this *larger increase,* but are offered stocks and bonds more and more attenuated as prosperity continues; more and more inflated in proportion not alone to the *real capital* actually employed, but even to the rates of income of such concerns until the public in large numbers refuses to buy. This ends in a panic in which such securities are suddenly "deflated" which would be well enough were not honest values likewise annihilated and the whole system of commerce thereby paralyzed.

If it were not for this monopolizing of the benefits of prosperity by concession and the dishonesty of stock-jobbers, unlimited floods of capital would respond to the attraction of a bountiful increase in industry. Holders of lands and franchises want others to furnish the *real earned* capital for all construction, and are only willing to give them 5%, even though the whole property pays 18%.

The increase, or profit, in any industry on the original capital employed becomes accessage or rent to the extent that it exceeds the percentage the public investors may earn by investing in it on the basis offered them. If a gas plant costs $200,000 and pays $40,000 net per year, the public may only get in on a basis of about $1,000,000 capitalization. Hence this $40,000 is $8,000 interest and $32,000 accessage. The opportunity to employ capital profitably is limited only by the restraint of concession. When a new device displaces much labor, its first tendency is to give increased output. The immediate results probably will be great profit to owners of such devices. Then there is a rush of wealth-owners to produce and operate such devices, and if not restricted by patent or otherwise, prices of product will fall proportionately, which brings the profit of such ownership down to the average interest rate. The next tendency is an increased accessage rate or rent for land, or other opportunities where it may be used, which boosts prices of output up to, or above, former prices. This is apparent in the tremendous increase in commodity prices and of rents coincident with industrial progress.

Great claims are made for a new automatic gold dredging machine. If it will, with nominal cost, extract gold from areas of sand, what will be the result? The first builders may make, as it is claimed, from one hundred to several hundred per cent. per annum, but how long before gold-bearing lands, where these dredges will work, will assume immense value. This is but a more simple illustration of the appropriation of the increase given by all forms of equipment. Street cars are of no greater value with consolidation of companies, and growth of patronage, but franchises are.

Now as prosperity advances, this fixed or accustomed sum of money paid by concession to labor and capital, this usual number of dollars, has a smaller and smaller purchasing power. Yet concession persistently refuses to give more than so much wages per day until threatened with labor strikes, and it as persistently refuses to give more than four or five per cent. interest. Instead it increases stock and bond issues to the limit on which such per cent. can be promised. But owners of capital are not a segregated class as are union wage earners, therefore they are not organized. These furnishers of capital have other interests; they are in most cases also laborers, or slight owners of concession. They do not send their business agent to demand more of proprietorism; they do not say to Wall Street, "You must give us 7 or 8% or we will strike." No, they just quietly and individually strike. While this rebelling or refusing by savers proceeds quietly and unheralded, its effect is as widespread as a labor strike, but it is insidious. Small sums of capital returning to investors, five, fifty, a hundred or ten thousand dollars, which before were hurriedly reinvested, are now hoarded or consumed. Owners now quietly refuse to put them again into trade or industry, until given more favorable terms. It is as truly a strike as that of labor, but it is individual, unorganized and unspoken.

The important question is:

Do strikes pay?

Is simple, dogged, stupid, passive refusal, with its stoppage of output, an effective means of remedying too low wages or interest? The disastrous results of labor strikes are well recognized, but capital strikes have never been determined by a true diagnosis, but are called by the vague name of "industrial depression." They are usually complicated by a paroxysm of fear called a panic. The present rates of wages and interest are entirely determined by strikes which manifest the refusal of producers to take less than the minimum, concertedly fixed by labor, and spontaneously demanded by capital owners. But these strike-projectors make no attempt to attain anywhere near their Natural Reward. They strive but to maintain "Living Wages and Interest."

The foregoing rules of "Living Wages and Interest" are not based on immutable laws of truth; they are but a presentation of the jangling contentions of selfishness which obtain in the prevailing status of industry. Heretofore reformers have not even attempted to define an infallible standard of true Wages and Interest.

Without a scientific determination of the true measure of such rewards, how shall we know how much we should expect? How shall producers know how much they lack of receiving their just compensation?

The prevailing *Rules* of industry are diametrically opposed to the *Golden Rule*.

CHAPTER III.

THE EMINENT DOMAIN OF GREATEST EFFICIENCY.

"*One only master grasps the whole domain;*
And half a tillage stints thy smiling plain."—GOLDSMITH.

COUNTLESS millions flow into the coffers of concession yearly from the control of land, franchises and other forms of monopoly. No property exists without labor or privation endured, or to be endured for it. Value, the essence of property, is the positive to a negative suffering. Utility is not. The most essential blessings come unearned, but *property* means the power to command service. Every dollar received for rent of priceless business sites, for fertile field or mine, for dividend earned on franchise privilege, represents labor or deprivation. Who are the losers of this vast revenue? Does it mean the "hire of the laborer kept back?" Does it mean overcharge to the consumer? Does it mean the despoiling of society of her property? It may mean either or all. From whence does this unearned wealth come? The answers heard to this question are many.

If workers do not deserve, nor even ask a wage commensurate with output; if owners of Capital when fixing the rate it shall demand as interest, take no cognizance of the amount of increase resulting therefrom; if concession, because it contributes nothing, has no right to any share whatever of output, to whom then does accessage rightly belong? It irrefutably belongs to Society.

What, then, is the Natural Estate of Society?

What is the Natural Reward of Producers?

What is the Natural Price to Consumers?

What are the *Scientific Rates* of Wages, Interest, Rent and Taxes?

First, let us particularly distinguish these classes of humanity. It is common to assume that consumers and society are practically identical, and in loose conversation to say that everyone is a laborer, and even to designate those who dominate the earth's property as simply stewards for the people. But distinctions of these classes are radical and essential to a consideration of economics.

All people are consumers, and all people are society, but this does not constitute consumers and society as one class, for very important reasons. First, because, if society means anything, it means God's children—all having equal right to inherit the blessings He has provided for them.

Now consumers do not stand to each other in any relation of equality, for they do not consume equally. Some consume millions, others but dollars. Not only in quantity, but in quality is this difference. A large share of the output of wealth is of a quality and kind, the use of which is almost unknown to the masses. What interest has the person working for a starvation wage in the price of sealskins, diamonds, cut glass, expensive laces and such things which he does not hope to ever own. Hence, what cheapens prices of things indiscriminately does not benefit the masses in proportion, but only what cheapens what the masses use. In other words, an average cheapening of prices does not counterbalance a reduction in wages, and a raise of prices in general does not take from laborers the benefits of increased wages. Neither do prices advance as a result of advanced wages in the ratio of the advance of wages. Neither is the "laboring class" in its broad economic meaning anything near equal to society. No doubt three-fourths of the wealth produced is consumed by others than laborers and their dependents; by those who absorb instead of promote. Hence, the importance of keeping clear the interests of producers, consumers and society. You may own a few shares of stock in the Illinois Central Railroad. Yet if it owe you ten thousand dollars, you do not say, "let it go, it's all in the family," that to collect it would be taking out of one of your pockets to put into the other. No, you say "my interest as a stockholder is slight compared with my individual interest."

Society includes not alone the millionaire, the independent middle class, and the skilled and effective mechanic, but helpless infancy and age, the invalid, imbecile, the cripple, the blind. All have claims on her.

Is a definite analysis of the rights of these classes possible?

The press and platform are burdened with discussions of monopoly and "trust." The rich become richer so rapidly, they are bewildered with their wealth and know no remedy, yet destitution cries for relief. If these errant streams of unwieldy wealth may be traced to their real sources they may perhaps be returned to their native channels. This is the great problem of to-day.

It is plainly evident that the consumer is plundered. Any housewife can testify to that. The advanced prices of commodities in the face of cheapened methods of output prove that.

It is quite evident that the slight advances of wages are but a fraction of what increased product would justify.

The great problem confronting the officers of every community is to make the revenues meet the needs to carry on the urgent public work.

Surely, then, the laborer, the consumer and society are all deprived by Concession. But in what proportion? To determine this we must first determine the native rights of producers, citizens and consumer.

What is the NATURAL REWARD of the producer?

What the inherent interest of Society in output?

What the natural legitimate price to the consumer?

There is a wide range of opinion as to what is production's Natural Reward. There is a radical class who claim the whole product as the producer's reward. Some aver that the whole product should go to the laborer as wages. The other extreme view held is that *natural wages* and *interest* is what the market affords, what competition determines; in other words, what is now paid. The unreasonableness of the first class in general causes the acceptance of the view of the last who have the argument convincing to many that what is, is right. If higher prices of commodities, as our protectionist friends teach, tend to make wages proportionately higher, what is the harm of higher prices? If producers merit the whole product, what interest have we as citizens, and not producers, in the question? On the other hand, if Accessage is the charge for what rightly belongs to Society, wherein is the producer's cause for complaint? As a matter of fact, a large class of producers take this view. As producers, neither laborers nor capitalists are liable to give much thought to the restriction of output—to what is added to the consumer's price by high rates and rents. Mr. Paul Morton in speaking of railroad rates says:

"The people—the consumers—must be protected against extortionate rates imposed by the railroads. I say the people, because the shipper, who is often a middleman, is not so much interested in keeping rates fair. The shipper does not want discrimination; he does not want A to be given a lower rate than B; in short, he does not want rebates unless he alone can have them. The shipper's interest demands that he bring his goods to market at a no higher charge for carrying than that paid by every one of his competitors, to the end that they do not undersell him and put him to loss. There, however, the shipper's interest usually comes to an end. He wants all shippers to pay equal rates, with no favoring rebate discriminations to any one, so that all shall enter the market on even terms. The height of freight rates, so that they be equal is not to him of prime importance. "With the man who buys from the shipper—the consumer finally—the business lies the other way about. The shipper, fixing his selling price, adds the freight charge to the original cost. The consumer pays the freight. The freight rate thus becomes an element in price-making. Wherefore, I repeat that, in order to protect the public, the consumer, the Government should, in all cases, whether interstate or otherwise, insist that freight rates shall be reasonable."

We need not look to the renting farmer to reform land laws, nor to the employe of oppressive franchised corporations to bother about reasonable service and rates. They are often better paid than the average worker and are careless. Many declare that the natural scarcity of native resources give such resources their value, and that it matters not to workers whether society, or individuals, collect the rental. Very truly, the coal vein does not especially belong to the user of the pick, nor the forest to the wielder of the ax. The tendency of the producer, the business man in general, is to underestimate his rightful reward. It is the theorist, the talker and writer who exaggerates the producer's natural share. In the most primitive state of industry the producer naturally gets the whole output as his reward. This is his NATURAL REWARD, where there is no preference in sources of supply.

But such a condition cannot be found where production has advanced beyond the most primitive stage. Only in the most remote districts will a producer find resources and conditions on equal terms to all. We may imagine that one savage has a right to hunt or fish equal with every other of his tribe, or to plant a few hills of corn, or gather wild growths.

With the first steps of real industry, however, we find producers appropriating quantities of native supplies and setting up exclusive claim to the use of certain privileges. The placer miner goes to work washing out precious metal from the field of sand. At first the number of miners are few and all work in common as neighbors. But as the influx of gold-seekers begins, they stake out their claims to areas of sand and inches of water. The new-comers find the opportunities restricted. The most primitive agriculture recognizes the advantage of the specially fertile valley. The smallest village has a corner or point of especial value.

Here then is the radical error of the "historical" school of economics. It does not recognize this evolution of value in the control of the peculiarly advantageous positions by producers. The honest workman with all good purpose takes possession of a tract of land on the bank of a stream which he proceeds to use, cultivating some and pasturing stock on the rest. He needs to cross the stream occasionally. Hence he rigs up a rude boat. Others wish to cross. He carries them for honest fare. What is wrong with such conduct? Nothing. But this travel increases; dozens, then hundreds wish to cross the stream there. For a rental he permits a store to be built. Then he leases the ferry privilege. Then other lots. The travel increases to thousands. A city grows. Our workman is no longer a workman. He does not live by his wages but from tribute paid by the growing population for access to the advantages of which he got possession. He did not create them. He simply happened along where they were. Thus the Vanderbilt fortune grew.

How many schemes of philanthropic colonization, how many co-operative schemes of business have come to grief through lack of recognition of this insiduous power of dominion. Many colonies have gone into the remote wilderness thinking the members and their descendants would be free from domination of a hated aristocracy, but how soon has the same class arisen among its own members based on the power of appropriated resources.

Plainly, then, we cannot arrive at justice by the lazy methods of present and past practice; by letting the producer have absolute ownership of the area he appropriates. Let us then take as our postulate and foundation law of all justice: *that society is the primary owner of all output;* that the individual acquires just ownership only as society in equity grants it to him.

> *"Know from the bounteous heavens all riches flow,*
> *And what man gives, the gods by man bestow."*—HOMER.

The correctness of this postulate is made more evident by the fact that producers do not claim a reward proportionate to output, but only sufficient to maintain their accustomed standard of living. They ask only for *Living Wages and Interest,* but they are ever seeking for larger opportunity to produce.

It is the self-evident duty of Society to procure the best possible "living," the largest possible supply of wealth, for her members in the aggregate; we need not at present inquire as to its apportionment. Output is from three elements, Resources, Accumulated Capital, and Human Endeavor. Then if Society has an inalienable right to all Resources, which cannot be questioned, what must she do to secure this Greatest Possible Supply? Manifestly she must secure to the ever-willing producers a *scope* of opportunities or resources so broad and rich as to admit of the *highest possible efficiency from the efforts of all.*

There is a story of a modern ship being stranded on a fertile but uninhabited island. It was conveniently loaded with a quantity of seeds, machinery, and other useful stock and equipment for starting industry on the island. Now suppose you were governing such a colony thrown upon such unclaimed field. Suppose you thus commanded 100 producers and were responsible for their best subsistence; would you not carefuly select for operation the most choice resources which such island afforded? First of all you would select as a place for your little city or settlement the best possible site, and not some miserable swamp, as is often the site of cities. You would give careful attention to planning the best arrangement of such city. You would then put your woodsmen to work on the choicest trees, your plowmen on the richest soil, your fishermen would be directed to where the catch was most valuable, your quarrymen would take the most available stone. You would not let a man work at one place when he could produce twice the results at another. Moreover, you would try as much as you could to let the builder build, and keep the smith at the forge, instead of compelling them to do that for which they had no aptitude or taste. In other words, you would seek to have continually the largest possible use of the resources of the whole island. Hence you would not tolerate that one person should appropriate and control the best timber, water supply or boat landing.

Even so should Society do, "that it may give seed to the sower and bread to the eater."

Society should guarantee to all producers the best resources possible. Or stated conversely: She should assert her right to guarantee that the resources should be used to the highest possible efficiency. To this end she should assert her title to that scope of the best quality of resources needed for the fullest use of all workers, so that no one need work with opportunities inferior to any opportunities that were idle.

A railroad has the right to take by condemnation whatever property is needful to its most efficient operation. Why should not all producers be given this same right, the access to the most efficient means of production?

It has ever been recognized that the State has the right to take what is needful for it to use for the best interest of all. This right is termed *Eminent Domain.* The State delegates the right of Eminent Domain to railroads. Why not to all producers? Giving this eminent power to one class only, gives it authority over all others. Is it anarchy to deny the right of an industry to shut down and leave its thousands of employes idle and helpless? Even Russia has prohibited such closing of works.

Should producers of every class have the right to appropriate the use of the best resources needful to the largest output, we might term this the "EMINENT DOMAIN OF GREATEST EFFICIENCY," or "The Domain of Use."

The apprehension of the nature and import of this zone of opportunity is the first step in the solution of our problem. The vital principle involved in the extent of this domain is the only solvent by which an analysis may be made of the tribute taken by Concession. Hereby we may isolate Preclusion, that blight equally ruinous to producers and consumers. As the extent of Preclusion is the extent of the consumer's overcharge, and also the extent of labor's deprivation, we may thus deduce what would constitute Natural Prices and Natural Wages. We shall further learn that the marginal line of this Domain on which all may find opportunity to produce with the highest efficiency, is the MARGIN OF NATURAL RENT.

The whole problem is practically solved when we realize how small a fraction the present results of industry are, with producers operating on inferior resources, of what they would be, were all workers and all capital employed with the most effective opportunities. It is amazing to comprehend how, under this rational management of opportunities "of the people, by the people, for the people," both the supply of consumers and the reward of producers might be multiplied, and with only a fraction of the effort and abstention now endured. Yet this emancipation of mankind is prevented only by the wanton preclusion of the use of rich opportunities which are now held idle.

If owners of opportunities allowed their fullest use and took only the premium which preference is worth, they would not then dwarf production to a fraction of its natural output, nor would a given area of resource have its present intense rental power. We may illustrate this by the power of a stream flowing down a canon. If the whole of such stream is allowed to pass over a wheel with its natural flow, some power is generated; but if we, by a high dam, impound such stream and keep back its flow until we have a head of two or three hundred feet, we may then project a fraction of its flow against a turbine with an intensity hundreds of times as great, and limited only by the height of our impounding dam. Just so does the price of coal, or salt, or starch, or oil depend on repression and restriction. The prices may be thus increased a hundredfold, and yet with even less reward to producers.

Now natural opportunities, land and its elements and the forces contingent on it, are of varying degrees of richness or capacity.

Nature has not distributed the fertility of soil, the deposits of mineral wealth, of streams and sea with unvarying sameness over all areas. These things range from small areas of almost perfect richness to wide areas of such poverty as to be not worth attention. Hence, to insure the fullest output, Society must obviously guarantee the fullest employment of the richer grades of resources, beginning at the richest and including all those of decreasing grades of richness, until her fullest needs are supplied. In other words, no one should be employed taking coal from mines where but ten tons were procured with a certain quantity of effort, while other fields of coal were idle where the same effort would produce a hundred tons, or even eleven tons. No one should be compelled to transport stuff by wagon at hundreds of times the effort with which it could be moved by railroad. Society should guarantee the full working of the richer resources, and by the most effective means. To this end she should assert her rightful ownership of all such richer resources, and give everyone access to them on equal terms, so that they may enjoy their natural function of creation. Millions of tons of fruit should not be allowed to rot in orchards because freight rates are exorbitant. Concession now dominates nearly all resources, however poor or rich.

The revenues of concession are from two distinct factors. The first is *natural rent,* or the *natural* value of the actual *use* which is made of the resources controlled. The second factor is that addition to *natural prices* which are levied upon consumers by means of monopoly, or the PRECLUSION OF USE—by holding rich resources idle in order to limit output, which may be termed PRECLUSION CHARGES. The Preclusion Charge is a direct loss to the consumer by increasing the cost, or reducing the quantity of his subsistence. It is an equal loss to the producer by the waste of that excess of labor required to produce from inferior opportunities. Or, stated in another form: Through Preclusion of opportunity, or holding of resources *out of use,* the producer's actual output is reduced in exact ratio with consumer's supply; or in inverse ratio to the excess of cost to consumers above the Natural Price.

If producers had full use of the richest opportunities, there would ensue such a plentiful product that the same total of rent now paid to Concession might be taken from such product, and yet, with only a fraction of present prices to consumer, leave producers a multiplied reward. Hence, we see that Concession robs Society of its rightful revenue —*natural rent.* It thwarts productive effort by holding immense resources idle and diminishing product, that it may thereby plunder consumers through increased prices of goods.

Let us suppose an isolated community having 100,000 acres of land; ten persons own it, having 10,000 acres each. Instead of using as much as possible they agree together and use but a small part, and by precluding the use of the rest, charge a proportionately higher price for the output. Now is it not evident that the small production will yield as much to the owners of the land as though all were cultivated? We see then that there is a revenue from prevention of use, which is often greater than that from use. Nor do we have to resort to some small island for example. In California, almost adjoining land which brings rental of $100 or more per acre per year, one estate owns thirty miles of Ocean front, and not far away is a beautiful island thirty miles long, owned jointly by two men, who make or allow but the slightest use of it. It is claimed that the cotton planter's union, by limiting the acreage, has greatly advanced the price of their crop, and that they are now alarmed because Australia proposes to grow cotton, and are already trying to induce the Australians to join their union. The prices of iron, cement, lumber, in fact most commodities, are many times what a full output would maintain. It is said that a reduction of half from usual agricultural crops more than doubles their price.

It is plainly apparent that under a condition of society where none controlled any resources except such as he actually used, there would be due from those using the richest resources a premium to compensate the less fortunate ones who must produce from inferior supplies. This equalization could only be made in practice by each paying to Society, the real primary owner of all resources, a premium commensurate with such richness, which would be natural rent.

The use-preference or natural rent of one parcel of resources over another arises from different causes according to its class. The essentials or resources of production from which accessage is collected may be divided into the following classes:

First, the SURFACE of the land or *soil.*

Second, its CONTENTS, mineral deposits, etc.

Third, ACCESS to market, means of transportation, communication, etc.

The surface of land, other things being equal, decreases in value in ratio to its distance from some social center. Social centers may be centers of population, of exchange, of residence, education, or centers of other attractive force. The preference in contents of land depends on their ease of availableness. Their value decreases, other things being equal, in ratio to the amount of labor required to procure and adapt them to use. It is manifest that only the most limited areas of land can be at the centers. The *Contents* of land, mineral deposits, forests, clays, coal, etc., while plenty in the aggregate, are found on more or less small areas. Some room is required for operations in working them; so under even ideal conditions, it is only possible for but few to use the very best. One hill may contain, as at Carara, enough marble for a hundred generations. Iron mines, limestone ledges, coal measures, are almost inexhaustible, yet beyond the reach of all but the few. The rapidity of decrease in availableness of supply from first to last choice, varies with different products. Fire clay is limited in extent, while building brick clay is general. Limestone covers wide areas in much the same degree of convenience to be quarried. There may be but one spring of a certain mineral water, while water of general utility is widespread in its supply.

The control of the means of "Access" to market is perhaps of equal value with the "Contents" or "Deposits" of materials. How large a portion of the contents of land is of no value, because those who dominate Access to market through ownership of railroads, banks, terminals, etc., and through "Combinations in Restraint of Trade," preclude it from any outlet.

Let us classify the resources of a certain community into ten grades; let us suppose that it contains 100 units of labor, each unit we will represent by L. The product of 1 unit of labor in the 1st grade will be wealth to the amount of 1,000 units, or 1,000 W; in the second grade, 500 W; in the fourth grade, 250 W; in the fifth grade, 200 W, and so on. Hence, on account of preclusion there is only 1 L or 1 per cent. of the labor of the community employed in the 1st grade, 2 per cent. in the 2nd, and so on, according to the following table:

Grade of Resources	Efficiency of Labor	Units Employed	Output
1	1000	1	1000
2	500	2	1000
3	333	3	1000
4	250	4	1000
5	200	10	2000
6	166	10	1660
7	142	10	1400
8	125	10	1250
9	110	10	1100
10	100	40	4000
			15410

This table shows that although twice the number be employed in the 2nd grade, 4 times in the fourth and ten times in the 10th, the output is no more.

Again, supposing that the capacity or extent of the first grade would give room for the employment of 50 units, or 50% of the labor, and the second grade the other 50%. See what a great increase of output is possible; for the first grade would yield to 50 units of labor 50,000 units of wealth, and the second grade 25,000 units of wealth, or a total of 75,000 units, or almost five times the present output with the same expenditure of labor. Therefore, we see the margin of preclusion is at 100, although there are abundant resources, for several times the present output, having a productiveness sufficient to give labor an efficiency of 1,000, or ten times its present productiveness. Hence, in such a community, concession by precluding use would be causing the product to cost ten times the labor, or would be reducing producers' share to less than one-tenth their natural reward and increasing the cost to consumers, to ten times its natural price.

Now of course this is only a hypothetical community, but let us compare it with our own community. Compare the efficiency of a railroad train carrying 40 cars of 40 tons, or 1,600 tons, each, 15 miles an hour, and a common wagon carrying one ton three miles per hour. You see we have an efficiency of 8,000 to 1. But the railroad train will take, perhaps, in its crew, care-takers and track repairers, say, 40 men to the train, though I think this could be greatly reduced if roads were double tracked and worked to their fullest capacity. But even at 40 men we have an efficiency per man of 200 to 1, yet we see rates so high that a common wagon can compete successfully in some cases with the railroad.

It is said by eminent scientists that the gas from a bushel of coal has a much greater heat efficiency than the coal itself as commonly used, and that the by-products will more than pay for the work of gas-making. Yet see the labor that is wasted in handling and in using coal, and the enormous destruction by smoke, causing in some cities an excess of deterioration of several per cent. on all structures, furnishings and fabrics, or a sum many times what the total cost of gas fuel would be. Why not convert all coal into gas or electricity right at the mines? Millions of acres of the best land is idle while land with not 5% of its efficiency for growing crops is used. Of the better grades of land a large share can be but partially used by tenants-at-will. It is used but for annual crops, while it might produce ten times the value in fruit. Such tenants cannot give it the drainage or fertilizing which would multiply its output. How many of the best lots in cities are cumbered with shacks!

There can be no doubt that under a wisely regulated production, with the full use of native resources and the increased use of improved methods, which would then be available, the output of industry would be more than ten times what it is now.

CHAPTER IV.

The Consumer's Rights.

WHAT are the consumer's rights in the output of wealth from the abundant resources God has provided for him?

What is his loss to Concession?

The degree in which Concession deprives the consumer is reflected in the general standard of living among the masses. In one community meat is eaten by all, and at every meal, while the masses in another may seldom be able to taste it. The standard of living in one community may embrace pianos, theaters, art, periodical literature, the daily paper, education of children, carpets, horses, etc.; in another the most meagre necessities, due to the exactions of those who dominate the resources of production.

In considering this question we must entirely eliminate the money price as a measure of cost, and confine our estimate to the time cost, hours-per-day-cost, in individual effort. It is indifferent how many dollars each has, but how high a standard of living. Whatever curtails production increases the cost of living.

If birds or insects ravage crops, the planter is not the only, nor perhaps the greatest sufferer. How much more then is the consumer's concern when wanton idle humanity represses output; for the loss then is not alone what output is curtailed, for the human parasites use the spoil gained by its restriction to purchase goods for destructive waste.

Trust prices of shoes, flour, meat, fuel, all the requirements of life, are too well known to need much comment. The people of the Great West are acquainted with the effect of railroad rates on what they use; yet there seems to be a widespread blindness to the effects of a tariff tax on imports. But in the ratio in which domestic commerce exceeds foreign, a ratio of several hundred to one, so the importance of the tariffs of concession exceed those of customhouse dues; especially in our own land where we have nearly fifty great commonwealths trading freely together. Express, telegraph, telephone, and railroad charges, and most of all land rents, affect us as consumers.

Nevertheless the evils of the infamous tariff tax to both producer and consumer can hardly be overestimated. Whatever the method by which one individual or nation seeks to profit by another's loss is always unnatural, wicked, and in the long run results in loss to such nation or individual.

For hundreds of years the Moor pirates had levied tribute from the commerce of all nations. Their ancient headquarters were at Tarifa, hence the word "tariff." The American spirit of freedom rebelled and the cry was raised "Millions for defense, but not a penny for tribute," and these bands of pirate tariff-takers were driven from the seas. And as this spirit of freedom becomes more enlightened, as the masses come to have enough fraternal love and unselfishness to stand together and support a defense, we shall see concession's piratical tribute resisted.

But the tariff issue as defined by the two dominant parties is devoid of principles. One party wants a tariff avowedly for protection, the other wants a tariff, of the same rate as far as we may judge by their declarations, but for goodness sake, not for protection! For revenue only!

Nothing could be a more palpable absurdity.

I knew a schoolboy who was caught stealing quite a quantity of tobacco from a schoolmate, and when the teacher was surprised to think he wished to chew it, he protested with righteous indignation that he did not chew. He was going to put it in his clothes to keep the moths away, and seemed to be totally oblivious to the crime of taking it. What possible difference can it make to the victims of the tariff whether the enactors of the law have the one or the other of two abstract motives?

Those who pay customs dues, either do owe the government or they do not. If they do they should pay; if they do not, then to make them pay one cent is a crime. And who pays but the consumer? For it is ever added to the price of goods.

Yet a tariff injures producers in like degree by narrowing their field of opportunity.

But we in America have been especially blessed in that, while concession has continued to increase its levy on production, the wide domain, whose margin appears to be almost reached, afforded a constant extension of opportunity, which, coupled with our marvelous inventive genius, has steadily multiplied output. Hence, while the standard of life among us is dreadfully repressed, while the results of poverty on the millions among us is pitiable, yet this widening of fields and improvement of process has given to at least a numerous minority of our citizens a standard of life beyond the dreams of older countries. For notwithstanding the outcry among us against trusts and predatory wealth, the extent of Preclusion in America is but a fraction of what it is in older countries; it simply takes a more noticeable form.

This is why immigration sets so strongly our way. This is why our standard of wages is higher. But these new lands in America are all but exhausted. What will continue this prosperity? Education! Civilization! Brotherly love! Christianity! We have developed a citizenship that will not be again enslaved by the hereditary class. The leaven of Christianity is working. Benevolence is increasing. Love in the family is more general. The air is full of reform. The Americans of to-day, crowded to the limits of new land, are getting ready to stand together for their rights. The next few years will see a reform of tax and title laws; a resistance of high rents. Sir Thomas Lipton says such abundant production as we are having in America was probably never dreamed of before in any country. Yet discontent is now almost as great among the masses at the inequality of its diffusion as in the hardest times.

There is a correlation between inventive genius and this wider field of opportunity which our wide *domain* has afforded. Given a large native supply to draw upon, the producer bends his energies to develop the resource with mind as well as muscle. Steam, electricity, compressed air, steel, cement, all the elements of science and invention are called into use. But when the real producer (for we must eschew the sophistry which includes all profit-takers as producers, all stock jobbers, land speculators and franchise grabbers) when the real producer is only a beast of burden, having no interest in his task, with the beneficiary of his toil a distant hereditary parasite on industry; whence can come application of progressive means?

But the fruit of every scientific process is to-day largely taken by Concession. Greed is now less dense, less personal, but more highly organized. Does a gas company offer a larger percentage of interest to seekers of investment because its by-products increase from year to year? No, it issues more stock. Does it sell gas cheaper? Very seldom. Do inventions and discoveries in general tend to raise the rate of wages? Not directly. The extent to which the fruits of progress and larger output are taken by concession-holders must be studied and apprehended by the people before relief can come. If the investment of a certain sum in a given line of industry return profits above a regular interest rate, what is the result? Capital will, if permitted, flow into such industry rapidly until the normal rate is reached. But if the owners of the industry have a control of resources by which competition can be avoided, then their concern automatically assumes a vested value, and the stock sold to the public by them represents this inflation rather than increase of real capital and productiveness. Access to resource and market assumes a value equal to the difference between the actual sum invested and the amount on which income will now pay normal rates.

It is common for the stocks and bonds of such concerns to be increased by the issue of what is confusingly termed "watered stock," until they reach an amount of which the ordinary rates of 5 to 7% will be paid. The expression "watered stock" conveys the thought of dilution, as a dishonest person might put water into syrup. The addition to securities, such as here indicated, represents the growth of concession's value, which is the most permanent form of value and the most likely to pay dividends. This growth of concession value proceeds both from increased patronage and higher tariffs as well as from lower production cost. Though such a concern borrow capital, it will pay only market rates. Accumulators of capital are still restricted to market interest rates when they wish to invest.

President Roosevelt's recent message has inadvertently raised the discussion of a most important question. Is the State under any obligation to recognize the sacredness of property based on this inflation? Must rates for public service be based on the topmost price to which stock-jobbers can boost prices by fictitious sales and misrepresentation? Must we pay $1.00 for gas because gas stock sells on the basis of $10,000,000 valuation for a plant that could be duplicated for $1,000,000 simply because the gas company boosts it by boasting an exclusive and perpetual franchise? Or has the city the right to build a new plant for $1,000,000 and furnish gas on that basis of cost?

The law of value of groups applies with special force to concessions. An increase of the price of commodities with free competition, at once tends to increase the output and so restore former prices. Not so with concession property. There remains but the one gas company, one telephone or telegraph monopoly. Every new schoolhouse, every new invention, everything that makes for peace, and larger use of wealth, also raises rent. Every piano factory, every automobile factory, every trolley line, every new magazine, every new bridge, every paved road, every ship canal, tends to raise rent. All these things increase the power to patronize concession, and no increase in quantities of opportunities can take place. The desire for land is universal and its purchase is only limited by the wealth with which to buy.

Do you know, Mr. Consumer, that *you* pay the dividends on the forty to eighty per cent. of the stock of corporations which represent franchises or land title, controlling natural resources?

How much do we pay for oil, coal, lumber, all the common essentials of subsistence, in excess of their productive cost?

What percentage of your annual income do you pay as the arbitrary addition to the price of your fuel in the past few years? Has the Reward of Production increased? No. Whatever addition has been made to wages paid to miners has been more than offset by increased output with improved methods and machinery. Do you know how much the freight rate on coal has been advanced in the face of a reduction of fully half in *cost* of carrying it? Who gets it? Why has lime, cement, sand, lumber, everything for the building of a house advanced? The answer is, the raw materials have been cornered, the freight rates raised, the rent of the manufacturing site, and merchant's shop, doubled or quadrupled.

Do you notice that the output in many of the larger lines has been increased per worker in the past few years from two to ten fold, while the price you are paying has been increased? The cost of producing copper was so much reduced by improved process that the deposits worth working were multiplied. Did the price come down in proportion? No, the trust stored the output and held it up. When the trust got shaky the price fell; but with its reorganization the price will be restored.

Did you ever see a modern sawmill almost automatically snatch the logs from the water and turn them into lumber, a hundred times as much in a day with the same crew as when lumber was a third its present price? Who gets the profit? The owner of the forest and the carrier. Lumber was delivered to the building a few years ago for little more than present stumpage in Oregon.

We should enjoy a multiplied supply of commodities out of the multiplied output. It is our right to demand it. At the same time that we as individuals are engaged with the problem of increased prices, our cities are struggling with treasury deficits where they have recently given away franchises worth tens of millions.

Even moral reforms increase this arbitrary Concession value. Governor Folk in speaking of the great benefits of closing the race track gambling and the Sunday closing of saloons, says:

"The result of two and a half years of strict enforcement of the laws in Missouri has been remarkable. In St. Louis there is more building to-day than in twenty years. In Kansas City real estate has risen in value more in the last two years than in ten years before, and St. Joseph is rapidly forging to the front."

We hear much, especially in campaign times, of the importance of "the farmer" in the commerce of the land. Now who is this very important "farmer" for whom high-priced wheat is desired? He is no other than the owner of the farm land. High-priced wheat means high rent, not higher wages on the farm. What class kept a protective tariff in England on breadstuff until the Cobden Club agitation? Who keeps it on to-day in Germany but the land owners? The farm laborer is exactly equal to other laborers in what he does for society. He does no more than the factory worker, and deserves no more consideration from the legislator, nor does he get it. The land owner is the fellow who makes the noise. His representative says, "We feed you all. No business can exist without the farmer. Agriculture is the basis of all commerce, etc." Nonsense! We do not any more depend upon those who till the soil than other workers. The owner of the land is only an exhausting parasite. But we do depend on the soil. The owning of the land by the so-called "farmers" is of no benefit to society, but the land is vital. It is not good for society for land to be high priced and rents high. Yet high rent and high land result from large output of wealth.

There is a moral in this for those whose resources are in land or other form of concession. They should see the importance of all progressive and moral reform to the value of their property. Good streets, good roads, good schools, civic improvement in general, should be worked for and encouraged by them from purely selfish interest, if for no other reason. It is to the credit of that bright body of men in the real estate business, that they are usually found working energetically for every progressive measure, though few of them seem to realize the evil effects of high land values and high rents.

What excuse is there to-day for anyone in this land to lack food, with such abundant crops and such magic mechanical means of moving them; or shoes when machines grind them out by the million; or homes when there are such effective and bountiful means of building. Why should babies and children whose weazen faces show lack of nourishment, be so common on street cars and in the populous quarters of all our cities? Why should human beings in America exist in dark, dirty cellars, above or below ground? Why should multitudes of rural children be almost as bereft of the knowledge of real life and comfort as the beasts of the field? Why? It is not alone because a large share of output is arbitrarily taken by those who do nothing to promote it; but that output is dwarfed by the preclusion of resources to use, by their being held idle to maintain excessive prices.

Let us legally open to production the Domain of Opportunity of Highest Efficiency, by collectively asserting our Right of Eminent Domain, and thereby establishing supplies at Natural Prices; by building public roads, public railroads, public canals and cement mills, by establishing public forests and lumbering plants, public water power and electric plants, public coal mines, oil wells, refineries and steamship lines. Also let us tax opportunities held idle the same as like opportunities at work. Thus let us open wide the gates of opportunity. Then there will be no lack to society's supply, for the impulse to produce even in this "world of greed" is stronger than that of pay.

Millions are constantly clamoring for the chance to pursue some art. A few have transcendental notions of their sphere, but the majority are abundantly practical in their choice of a calling.

Thus let us not only restore to rightful owners that majority of output now taken by drones, but let us enable an output five to ten times that of the present. Let us claim the prodigious fruits of invention and intelligence, of progress, civilization, Christianity, as the *rightful estate of all*, and no longer be satisfied with the crumbs and scraps doled out to us by a privileged class.

CHAPTER V.

The Producer's Rights.

WHAT are Natural Wages and Interest? As we have before stated, workers are naturally impelled to produce, not by the pay which is previously stipulated, either by an employer or what is expected to be procured from sale of output, but by the innate joy of producing. How, then, can there be Natural Wages even as an ideal? Very consistently, for just recompense seldom comes as a *stipulated*, but as a natural return for right action. A good temperance man does not refrain from drink through fear of tremens or bankruptcy, yet he gets the just reward of being temperate. One who is honest simply because he thinks it pays, is not safe to trust; yet there can be no doubt that one who is naturally honest from pure love of honesty and from love of right, should be rewarded—is rewarded. So while pay is not a noble motive for labor, recompense is a noble impulse in its beneficiary. And while greed does not and cannot promote industry, personal impulse and initiative can and does.

If communal production and common use may be conceived of as a possible ultimate ideal, which we need not here decide, at any rate it may only be reached by gradually working up to it. It seems far more practical to undertake some degree of *common* production and use; that is, the public ownership and operation of *some* utilities, and meantime to adopt an ideal reward for individual effort. Anyhow, we shall need to hire workers under public ownership. Let us then seek to find what such just recompense is.

We have seen that the present meagre reward is determined solely by the demand for accustomed subsistence, and that the so-called "Margin of Rent" is only a fiction. But when we apprehend the "Eminent Domain of Efficiency" we find that its margin *is* the MARGIN OF NATURAL RENTS, and that this margin also defines the measure of Natural Reward—Natural Wages and Interest—on the one hand, and Natural Public Revenue on the other.

Concession now includes in her domain all resources and opportunities, not alone that which will pay to operate whether now being used or now idle, but all that might in future pay. This is why there is no definite margin to Concession's rent. But the *Domain of Use,* as it includes no idle resources, is not nearly so extensive. Everyone could find all the room that he needed for employment on but a fraction of the field of resources now dominated by concession, were all to work on the richest and best.

Suppose resources, soil, clay, stone, mineral deposits, means of communication, etc., were graded from the most perfect, which might be said to have a productive capacity of 100,000 down to that with a productive capacity of 1,000, 100, 1. Now, with all resources so graded, let us suppose there would be no need to operate any with a productive capacity poorer than 1,000.

Grade 1,000 would then be the "Margin of Natural Rent." Society might then leave all resources poorer than 1,000 open to private use and exploitation. The whole output of such "open" resources would then be the minimum *Natural Reward of Production.*

But you say this is all too theoretical. It would be impossible to so grade all resources. Manifestly it would be impossible to survey every acre of land and tag it with its grade. But a very simple rule will make it automatically grade itself. Society has but to insist that no resource shall be held idle; that anyone wishing to produce may take possession of any idle resource which is worth working—that is, that *use* may have Eminent Domain. By this very simple rule the resources rich enough to be worked would be automatically determined and put to work. Thus a sufficient volume of the best would be selected and would belong to Society. Whatever would be outside the scope of this *Domain* would remain open to the pleasure of private exploitation, and its product would be its reward.

Society should assert her estate in such Eminent Domain of Resources by some reasonable means which we will hereafter consider, and then all access charges would belong to society as a natural source of taxes. Society should, however, operate under her own corporate control and management, many of the enterprises of production and service. In fact a large share should be so operated; a share increasing with the progress of civilization or brotherhood, but to do so, Society must employ individual workers and perhaps borrow capital.

What recompense should she give such employes, and capital furnishers?

How much should mail carriers, operators of municipal light, heat or power plants, receive?

How much should mayors, governors, councilmen, legislators, congressmen, receive as a recompense for their services?

Why, Natural Wages, of course.

Why should the public, any more than a private corporation, take service without recompense?

What interest should Nation, State or City pay?

Just such an amount as people would be willing to save for—Natural Interest.

With opportunity for all to produce and acquire wealth all would have incomes; each would have his own ideas of the price of abstention. Such price as would procure the saving of the requisite fund of capital would be *Natural Interest.* If a certain rate did not procure the desired fund, more should be paid. The abolition of Preclusion will establish Natural Interest for the use of capital is now restricted by the concessionizing of resources, by compelling capital to accept a share in common with fictitious and arbitrary property in lands and franchises, represented by multiplied stock and bond issues, calling for rents and dividends.

But with the wide field of free opportunity outside the Domain of Greatest Use; or within such domain after paying Natural Rent, Capital could always make a liberal rate of interest. For under such conditions there would be such unhampered opportunity for the use of capital and such abundant increase from such use that savers would not be compelled to stint and starve in order to accumulate.

Nothing is more absurd than to dogmatically say that interest should not be more than 2 or 3 per cent. All have a free opportunity to save, to some extent at least, but all have not a free opportunity to use capital. No class has any monopoly of saving; hence, interest should be left to agreement to supply and demand. This does not deny the wisdom of reasonable usury laws to protect the helpless.

We establish *Natural Wages and Interest* when we prevent rich resources from being held idle, for we then open up to all the opportunity to produce.

But the question arises: How may we determine what is a just rate of wages by this natural standard until this Domain of Opportunity shall have been established?

Manifestly, we may not define it in dollars and cents.

But by taking the *Domain of Use* as a working theory—even as we use the "atomic theory of matter" and the "etheric theory" of light as a working basis in physical science, and the perfect man in God's image as revealed in scripture, as our model and basis of Christian science—we may then begin to form true and definite conceptions. If we conclude that production might by the most efficient use of opportunities be multiplied by ten, then to be conservative we may at least assume that wages ought to be at least five times their present rate, and consumers' cost one-fifth what it now is.

If the present wage among us is an average of $1.50 for ten hours, we may then safely assume $5.00 for six hours to be no more than a fair wage. And when we compute the marvelous productive increase offered by improved processes applied in recent years, the correctness of such estimates of a minimum wage is incontrovertible.

However, all reforms are best brought about gradually. This ideal of Eminent Domain must be established by taking a little here and a little there; by extending the scope of public undertakings; by fixing lower and lower rates for public utilities privately owned; by establishing collective competition here and there; by breaking up the largest estates; by reserving and recovering certain useful, natural deposits; by extending the scope of free public service and enjoyments, such as playgrounds, baths, highways, etc.; by extending the power to condemn property, now enjoyed only by railroads and a few other such corporations, to more and more lines—to factories, private schools, merchants and farmers. This gradual widening of the productive field will tend to automatically raise the wage rate gradually towards the Natural Rate.

As has been pointed out, the opening up of new and free fields has heretofore been of untold value to American workmen. But this free field for the settler and prospector is visibly narrowing. We are rapidly becoming a congested community. Not that our natural resources are not ample for many scores of times our present population, but that the hand of greed grasps them and demands a constantly increasing toll. Some measure of reform is being attempted in the matter of withholding title to public coal lands. Reform of mining claim laws is greatly needed. We may concede a very large reward to the prospector who discovers a new camp, but what is the sense in allowing those who hear first of its discovery to rush in and stake free claims?

Proprietorism and Labor Unions.

We have recently seen the evolution of an alternative among us which gives great force to the demands of labor. This is the labor union, imported from Britain.

In much "poetical" economic writing, labor is supposed to employ capital and "land" in production. Such it may do at the most primitive or initial step, but in civilization little production occurs where the laborer is also proprietor.

Where so remote that land is valueless, the planter works and gets the crop. But as soon as civilization approaches he gets title to the land, and shares its crop whether he work or not. Capital as seldom dictates the terms of production. How few industries are not established on some vested interest? In actual practice the great industries to-day are controlled by "proprietorism." Manufacturers have learned this much of economics. They now strive to control their raw material, and as much as possible the means of handling it.

Proprietors assume the sole right to dictate terms to both producer and consumer. The "Boss of Production" pays labor as low wages as it may be secured for, and sells the output as high as possible.

Where does he get this right?

When street railways are consolidated, and the increased income is stocked for millions, are wages raised?

When tariffs are raised to protect special interests, do they raise wages as their profits advance?

It is not a popular doctrine that the share allotted by competition as wages is not increased by prosperity—by largely increased output—but the facts support it.

If a new process of making starch gives double the output with the same labor and cost of equipment, either one of two things will occur—starch will be cheapened in proportion and the consumer get the benefit, or on the other hand, the starch-makers combining the skill, etc., will merge and issue double the stock, or the land where the starch-giving plants are grown will bring more rent; usually the latter. Workmen in starch works, or those who grow starch-yielding plants, would receive no more on account of the increased output, but as consumers they would benefit if the price were lowered. What a terrible appreciation of land has resulted from prosperity in the last three years! Advances from 25 to 500 per cent. in farm lands, and equally as much in city lots; will agricultural labor easily get much advance when crops must pay on such valuations? With constant advances of rent, will factory workers and merchants gain much from big output and sales?

"Proprietorism" is commonly called "Capitalism," but this is a misleading term. Society and Labor have no quarrel with Capital. The Proprietor is an intermediary between the worker and owner of capital on the one hand, and Concession on the other. Sometimes he owns some real capital; sometimes he does productive work; sometimes he owns concessions, but usually he is the agent of both Capital and Concession, and generally is oblivious of any distinction between capital and concession. Proprietorism is not a new institution. Abraham and Lot divided the plain between them. Their ignorant herdmen were then ready to fight for their masters, but unconscious of their own rights, as some "hirelings" are to-day.

The rapid increase of mechanical and engineering skill in recent years, by their increased power of output, has multiplied the importance of control of deposits of native resources. Real producers—workers—who control their supplies, are rapidly becoming a thing of the past. Proprietorism has taken the field. Without some means of enforcing their demands, laborers and capital savers would be enslaved.

However great the loss to himself and to society, the capitalist can refuse to save, to renew capital, can consume the old if the rate is too low, but laborers cannot indefinitely cease working. Left to individual freedom of contract, they will be enslaved. The labor union is a necessity to prevent this enslavement of the laborer; for the acquisitiveness of the individual laborer, as manifested in his capacity to look out for his own interests in the matter of wages, tends to decrease in inverse ratio to his productive efficiency.

Left to the false protection of individual selfishness, his case is hopeless. The laborer can never be liberated by his own avarice, but only by its very opposite, benevolence, brotherly love. He must be saved by obedience to the command, "Let every one consider not his own but his brother's good."

The measure in which Labor Unions represent this true unity of man will also be the measure of their benefits to workers. This conception does not imply the laborer's hatred of his employer, but united resistance to wrong systems.

"To the capitalist corporation the wage contract is simply a question of so many dollars to be paid," writes Sidney Webb in the International Monthly. "To the workmen it is a matter of placing, for 10 to 12 hours out of every 24, his whole life at the disposal of his hirer. What hours he shall work, when and where he shall get his food, the sanitary conditions of his employment, the safety of the machinery, the temperature and atmosphere to which he is subjected, the fatigue or strains that he endures, the risks of disease or accident that he incurs, all these are involved in the workmen's contract, and not in his employer's. These are matters of as vital importance to the wage earner as are his wages. Yet about these matters he cannot, in practice, bargain at all. Imagine a weaver, before accepting employment in a Massachusetts cotton mill, examining the proportion of steam in the atmosphere of the shed, testing the strength of the shuttle guards, and criticising the soundness of the shafting belts. A Pittsburg mechanic prying into the security of the hoists and cranes or the safety of the lathes and steam hammers, among which he must move: a work girl in a Chicago sweatshop computing the cubic space which will be her share of the workroom, discussing the ventilators, warmth and lighting of the place in which she will spend nearly all her working life, or examining disapprovingly the sanitary accommodation provided: think of the man who wants a job in a New Jersey white lead works testing the poisonous influence of the particular process employed, and reckoning in terms of dollars and cents the exact degree of injury to his health which he is consenting to undergo. On all these matters, at any rate, we must at once give up the notion of freedom of contract. In the absence of any restraint of law, the conditions of sanitation, decency and security from accident in the various enterprises of the United States Steel Corporation, or the Standard Oil Company, the Western Union Telegraph Company, or the Pennsylvania Railroad, are absolutely at the mercy of the rulers of these great undertakings. They decide these questions of life for the millions of workmen whom they employ—and thus, to this extent, for the American Nation—as arbitrarily (and it is to be hoped as humanely) as they do for their horses."

"In the general course of human nature," remarked the shrewd founders of the American Constitution, "power over a man's subsistence amounts to a power over his will."

False Notions of Capital.

It is a great fiction that rich Proprietors bring the capital to a community. They, of course, do to some extent, but not in the degree popularly estimated. There is but an infinitesimal part of Output applied as "Capital" in the ordinary acceptance of the term. Of course, the whole output may be termed capital, or stock, during a more or less brief period of its development, but even so, almost the total value of such stock consists of tribute for concession. A crop of corn growing is capital, but its cost is largely rent until it is almost ready for use. A house in course of construction is capital, but the workmen may wait until it is completed for their pay.

In a city of 100,000 people the annual production of wealth may be $1,000 each, or $100,000,000. An influx of foreign capital of $10,000,000 in a year in that city would be thought remarkable. An application of one-tenth of the production, or $10,000,000 per annum for any number of years, would be beyond precedent. So it is easy to see that if capital and labor were free to use the resources of nature, and supply the needs of society, no borrowing need ever be done by one community from another. Mechanics of small wages who buy lots on easy terms get good homes in a few months without paying other interest than on the cost of the lot. A $100,000,000 street railway is perhaps $85,000,000 franchise. Even the fifteen million real capital was not an initial investment of more than perhaps a few hundred thousand, which was supplemented perhaps by part of the fares taken in. There is no lack of capital, but lack of opportunity to use it. If capital got all *natural interest* instead of concession getting most of the *natural increase,* no lack of capital would ever be felt.

As prosperity increases, the "capital stock" of industrial corporations is doubled, trebled, quadrupled to be sold to the masses for their savings. Does this mean more real devotion of capital to industry? No, but that those who own the franchises, lands, or other monopoly power, of such industry, are trading its increase of value for this stock, and then unloading this stock onto the public. Hence concession, by this means absorbs the wealth people are ready to devote to productive capital, and squanders it in "riotous living."

An example of productive power when the industrial Proprietor controls his material, is exhibited by a great steel company. This organization has secured unlimited supplies of ore, fuel, and transportation facilities. They are even now arranging to avoid the expenses incident to city activities—high rents, etc.—by building a plant on cheap rural land. No wonder its output staggers comprehension. No wonder if its profits are, as it is said, 75%. But the real producer, the puddler, the roller, the miner, the recent buyer of its securities, does not get this saving. They perhaps enjoy some increase, but only a fraction of what goes to the proprietors. Yet there is much advantage to society, even that the proprietor of industry should dominate the resources of production, instead of capricious disinterested drones, for it is the proprietor's interest to turn out the largest possible output, and this at least puts production on a surer footing. There is less danger of shutdowns.

What if all natural resources were controlled, not by selfish industrial proprietors, but by government, with use guaranteed on equal terms to all who would produce? Enforced idleness would cease. Every industry would expand as has the steel industry. No one would need lack for anything. But the multiplied plenty that would result would not accrue to selfish corporate proprietors, to be expended in the vicious living that has disgraced Pittsburg, but would be divided betwen society and real producers—workers and savers. Workers would get the Natural Reward due them—such wages as were never before known. And Society, with the revenue derived from its natural income, would banish poverty, even from the widow and orphan, from the helpless invalid, and the mentally incompetent.

Millions of acres now held idle would then be used. Intelligent cultivation would succeed the haphazard work of tenants at the caprice of selfish landlords. I do not believe there is a county in any State where there is not abundance of natural wealth either mineral or agricultural. It only lacks development. What are the most prohibitive bars to this development? Landowners and public carriers. We are told that only private enterprise develops industry. Do not the carrier systems favor the already developed industry? The other monopoly interests do also. The tremendous force of the banks and the daily press is on that side. This further concentrates population about these interests in the big cities.

The complaint of merchants is common that "they are working for their landlord." Yet if they go where rent is low there is no business. This is not endorsing the pessimistic complaint of those who believe the world is "going to the dogs." It is not; it is coming "from the dogs," for it gets better every day. Nor were opportunities ever so many.

Motive and Opportunity.

Ours is not a creed of despair; it holds out to the individual who has high aspirations the widest range of opportunities. As the vessel with powerful motor can ride against adverse currents over the limitless ocean, so one who is impelled by the noble motive to be of service to mankind, may ever find a field which greed, stupidity and fear are powerless to circumscribe. Never was there greater demand for the Roosevelt, Folk, or Hadley to lead in the fight on corruption than to-day; never was such demand for greater teachers, editors, preachers; never was there such urgent call for legislators of broad knowledge of economics and statecraft; never greater call for proficient chemist, engineer, or for the wise structural and civic master builder. This high and natural motive lifts one out of the mire of greed. Truly "the harvest is great, but the laborers are few." There is unprecedented call for men with right motives to work for human freedom. Tuskegee Institute is a grand monument to such endeavor.

He who thinks only of the pay envelope has poor chance to succeed. The commission salesman who thinks little of his commission until he has earned it is much the most likely to make the sale. The merchant who tries most perfectly to serve his customers on fair margins of profit is surest to succeed. In short, he who strives, no matter in what line of work he undertakes, to do it *better* than others, has already a broad field for his efforts. He must work persistently, hopefully, until such time as his merit is recognized, but his ultimate success is sure.

The bane of the age is the "get something for nothing" class. The press gives much space to bonanza fortune strikes, and Young America becomes intoxicated with dreams of similar luck, and forgets the true and sure motive of business.

Success or failure must obtain in one's thought before it can be manifested in tangible effects.

It is the listless class with no aspiration or goal in life who demand our sympathy. This vast army of poor, helpless goalless humanity is the prey of the merciless system of greed. The way to pursue any course is to have a goal ahead. From this vast multitude, born amidst dismal surroundings, with a childhood spent without play and a youth without hope, it is as if by a miracle that one becomes possessed of aspirations; yet—

> In every face a lamp is framed
> Like searchlight to project its ray;
> By love alone is it inflamed,
> And 'lumes the heaven ascending way.
> Ah, you whose lamps have plentier flow
> Let brightest beams tired hearts inspire:
> Though eyes begrimed reflect faint glow,
> Love will relight the holy fire.

Success is contagious. Those great leaders of accomplishment through noble efforts have an inspiring effect on humanity.

"But when He saw the multitudes, He was moved with compassion on them, because they fainted and were scattered abroad as sheep having no shepherd * * * and He began to teach them many things." He was the guide, the way-shower.

Let us not alone break down the barriers that keep these millions in the "jungle," but let us through the embellishments and refinements of modern progress and Christianity, incite them to come out into the ranks of higher citizenship; if need be, let us *drive* them out of both city slum and rural obscurity into the fraternal ranks of useful activity by replacing such slum with Civic beauty and by banishing obscurity with means of intercourse and interest. Much progress in this direction has been made, and is being made.

"Think not that former days were better than these, for in so doing thou dost greatly err."

But with the advance of science there should be much more *rapid* improvement of the condition of the masses. The burden of taxation should be taken from output and placed on concession. Tax the vacant lot as much, or more, than the improved. Nor stop with this; allow the coal miner, the oil driller, the home builder, the agriculturist to condemn land or its deposits, just as a railroad company may do, taking full account of all real equities.

A few acres of iron in one body was recently sold for 150 million dollars.

Why has our government given away this vast wealth?

Principally because it has largely been appropriated by the owners before its worth was recognized by the public. Shrewd men have gone ahead of population and grabbed great tracts of land. Some of them are now being prosecuted. Close corporations began to grab street railway franchises while electricity was little understood, and when it became recognized, continued to get them by bribery.

The greatest obstacle in the way of reform is the tendency of people to defer to precedent. That is the fatal weakness of lawyers as legislators. They worship precedent as the Chinese worship their dead ancestors. The following forceful presentation of this matter is from the St. Louis Censor:

"Among other things that are being probed by an ever-increasing number of people, is the great and vital question as to whom this planet, called the earth, rightly and justly belongs. It constitutes a question, that in my humble opinion will have to be answered in the next fifty years, and will assert itself with ever-growing insistence.

"The statement is believable that ninety people out of a hundred, on first hearing the right of private ownership in land questioned, are mildly shocked, and look upon such a bold question as a dangerous approach to the verge of anarchy; for it is a fact that some errors take on by reason of age a sort of sacerdotal character. It may be possible, however, that if any of the ninety per cent who, first hearing private ownership in land questioned, are thoughtfully disposed, and follow the subject up, ninety-nine per cent of them will come to one conclusion, namely: That private ownership in land is one of the most monstrous injustices that ever afflicted the earth! That uncounted millions have suffered, and that many millions still suffer this great injustice handed down from an intensely savage and brutally selfish era, is all due to the inertia of the human mind and its indisposition to think."

"Each person born into the world finds the iniquitous system in full working order, and everybody apparently convinced that it is all right; and such a person accepts that whole proposition without a protest or murmur. It is one of the titanic errors that is accepted because it bears the label of tradition. If we had to deal with it at first hand, as did our savage ancestors who had nothing to guide them but selfishness, we would unanimously pronounce the system monstrously cruel and unjust."

Not less monstrous, but less excusable, is a private system of currency.

The basis of prevailing wage rates is that of all value —Demand and Hindrance. Employers' need of more help does not raise wages unless Labor can offer a hindrance or demand for a certain amount. This hindrance is not automatically fixed by workers, but must be arbitrarily fixed outside of the natural working of free contract, aside from "supply and demand."

The labor union says to its members: "When we all refuse at once, another will not take your place." What grander impulse ever caused action than unionism, that is, if it be true unionism, whose uniting cement is love. Talk of the patriotism of the soldier! It is nothing to that of him who packs his tools to guarantee his fellows a fair price for their work. All honor to them. Unionism has said we must have more wages, then shorter hours, then more wages, then better conditions. Not "will you please?" but "you must."

Working upon the following scientific platform, the American Federation of Labor should accomplish much:

First. Free schools and compulsory education.

Second. Unrelenting protest against the issuance and abuse of injunction process in labor disputes.

Third. A workday of not more than eight hours in the 24 hour day.

Fourth. A strict recognition of not over eight hours per day on all Federal, State or municipal work, and at not less than the prevailing rate per diem wage of the class of employment in the vicinity where the work is performed.

Fifth. Release from employment one day in seven.

Sixth. The abolition of the contract system on public work.

Seventh. The municipal ownership of public utilities.

Eighth. The abolition of the sweatshop system.

Ninth. Sanitary inspection of workshop, factory and home.

Tenth. Liability of employers for injury to body or loss of life.

Eleventh. The nationalization of telegraph and telephone.

Twelfth. The passage of anti-child labor laws in States where they do not exist, and rigid defense of them where they have been enacted into law.

Thirteenth. Woman suffrage co-equal with man suffrage.

Fourteenth. Suitable and plentiful play grounds for children in all cities.

Fifteenth. Continued public agitation for public bath houses in all cities.

Sixteenth. Qualifications in all permits to build in all cities and towns that there shall be bathrooms and bathroom attachments in all houses and compartments used for habitation.

Seventeenth. A system of finance whereby money shall be issued exclusively by the government, with such regulations and restrictions as will protect it from manipulation by the banking interest for their own private gain.

But having a platform does not assure success. Love is the only true bond by which men may be united. There is, unfortunately, too much of greed and hate, too much disregard of consumer and society in the practices of labor unions. Labor unions can never succeed until they extend the scope of their purpose to both sexes and all races, and to consumer as well as producer.

Captains of industry—managers of Concession's interest—may not lightly refuse the demands of organized labor. Most works on economics assume labor to be helpless, with no alternative but unconditional acceptance of concession's terms, or retreat to the wilderness.

But the army of unionism does not so readily capitulate. It has wise leaders (as well as many unworthy ones, just as have government and all forms of social organization) who see that subsistence is provided for their campaign; who devise means of strategy and plans of siege to force their issues. But do not forget, Unionist, that you must be paid from the output. You must see to it that that continues to increase, if you wish to continue to advance. If you limit apprentices, you "kill the goose that lays the golden egg." Encourage invention! Invention helps you by increasing the fund from which wages come.

But there is a weak point in the plans of unionism—a danger constantly to be reckoned with. This is the "army of the idle," which may ever be hired by aggregated proprietorism, as were the Hessians to fight our independence. If employment may be provided for this army the liberty of labor is won forever. Edward Markham says:

"It is the first duty of a government to see to it that all of her people have the opportunity to live by labor. She must keep open the gates of opportunity, so that every man and every woman may have the material resources for living a complete life. A government that fails in this, fails in the vital thing.

"Progress and poverty have been yoke-mates from the most ancient times. There is an aver-growing army of **enforced idlers** going onward in the shadow of civilization.

"This is the pathetic fact of the modern world. Think of the able-bodied man knocking in vain at the door of life, begging simply for the chance to live by the work of his hands. There are always tens of thousands of these hapless men. This is proved by the fact that an army of strike-breakers is always standing ready to swarm in, to take the place of strikers. Out in Colorado, a certain city furnished work for a drove of workless men, and the shovels were piled upon the ground. The men were there promptly on the hour, and so eager were they for work that they fell to fighting for the shovels, breaking bones and shedding blood, so wildly fearful were the men that the shovels would not go round."

"It should not be forgotten also that idle men are a constant menace to the public safety. Not only do the vagrant class drift down from this army of idle workers, but thieves and anarchists are recruited from these ranks. A man must do one of three things—work, beg or steal. If the labor market denies a man labor and the law forbids beggary, he sometimes forgets that the law also forbids stealing. Sometimes, too, in a government where a man cannot find work, he finds it easy to lose faith in government and go over to the anarchists who insanely hope to sweep away all of the laws of order."

What causes this *idle army?* It is created and maintained by selfishness, culminating in Concession's Preclusion. It is evident that this army is not an "army of laziness," else they would not be ever ready to take strikers' places. They are prevented from work by their lack of purpose and their submission to the repressions exercised by those who dominate the sources of supply. The reason of their idleness is given in the pitiful reply of the vineyard laborers of scripture, "Because no man hath hired us." It is sad, that to become producers, so many must depend on being hired; but it is a natural result of that domination of the field of production which enables owners to give an arbitrary "penny" to workers, and of the prevalence of the disposition to do nothing useful without pay.

But if we may recover to society the natural opportunities now *held idle* by concession, so that when proprietors refuse the just demands of producers, they may have access to such opportunities, to start productive enterprises on their own account, and if, on the other hand, the masses may gain an impulse to effort based on the living truth that it "is more blessed to give than to receive," then the "army of the idle" will cease to exist. Then the laborer may become a free agent in contracting his services, instead of being helpless, as now. Then if Proprietorism does refuse to hire, it may not also, as it now seems to do, entirely exclude producers from the field of production. Then may labor assert itself and secure its natural wages.

What would be the relations which should exist between Capital and Labor, if they, the two real productive factors, should get the whole product, except what is due Society as its Natural Rent? Under this natural system of output and diffusion, there may be found the following Natural Relations:

First. There would ensue a continuously increasing output in proportion to the labor and capital employed.

Second. This output, though larger in volume, would have a much less total value as measured in human endurance because the hours of labor would be shortened. Its money value would depend on the volume of money.

Third. Output with the progress of industry naturally tends to increase in a *greater ratio* than the *increase* of *capital employed.*

Fourth. Natural wages tend to increase in proportion to the *increase of output.*

Fifth. While interest naturally increases only in proportion to Capital Employed.

Sixth. Hence, wages naturally tend to increase more rapidly than interest and so to get a larger *percentage* of output in comparison with interest.

Seventh. For while interest naturally tends to increase in proportion to the increase of capital, the rate of interest, being a percentage and not a quantity, does not tend to increase.

Eighth. Rather, the rate of interest tends to decrease from the earlier stages of industry, until a rather ripe stage of development is reached.

Ninth. But the percentage of output taken by accessage tends to increase as the tides of prosperity rise, until it deprives both Labor and Capital of their Reward, and thus it stifles industry.

Tenth. This is accelerated by the tendency of currency under our present system, to increase in volume and decrease in value with the rise of prosperity.

CHAPTER VI.

Society's Rights.

"Am I my brother's keeper?"

*"Ye eat the fat, * * * * * but ye feed not the flock. The diseased have ye not strengthened, neither have ye healed that which was sick, neither have ye bound up that which was broken, neither have ye brought again that which was driven away, neither have ye sought that which was lost; but with force and cruelty have ye ruled them."*

CIVILIZATION is the right relation of citizens. Its highest ideal is the obedience to that command. "Thou shalt love thy neighbor as thyself." No high degree of civilization is possible without a general response to the religion embraced in this command. Civilization is the only remedy for the evils of density, or sparseness of population. When men are crowded together they need the results of the exercise of brotherliness as well as when but a few are alone in the remote wilderness. There need be no effort to either directly increase or limit population. Henry George well points out the natural instinct which reduces births as the causes of mortality are checked. Race suicide as regards numbers is not an impending calamity; there is no danger of a lack of material men. Increase of normal, spiritual manhood is the vital work before us.

Unless mankind is nearing the divine ideal—the image and likeness of the Maker—their increase in numbers is of no more benefit than the increase of rabbits. It has not been the numerous races, but the races with high ideals, who have advanced man's social welfare. The physical aggregation of great numbers of men on limited areas does not by any means tend to their welfare. One writer has advanced the theory that *contact* engenders "Social Love," as he terms it. Perhaps the right kind of contact does, but surely not physical contact. If crowding had promoted civilization, the world had long ago been civilized. Surely the most crowded communities are not most, but least, civilized. The contact that elevates is spiritual contact, the contact of Love; and this love is not some blind animal force. True love is the ministering to our brother's need; such love elevates both giver and recipient. Those who would learn more of this vital Social Love should read the writings of Paul and James and John. This true Love is being recognized to-day as never before as the greatest economic and Social force. Its efforts are being more beautifully and effectually organized, and applied in fraternal, municipal and State undertakings.

Civic improvement is no mere idle sentiment. It is the essential of progress and advancement. Beautiful parks, boulevards, streets, schools, libraries, recreation grounds for old and young, not only express the demands of a higher thought, but promote it. Civic improvement is as old as cities themselves, but civic improvement in the modern sense is a succession of steps toward a preconceived ideal in which individual acts of improvement are related to one another, and are bent toward the execution of a logical and unified scheme. Civic improvement is becoming a profession in which eminent intellects are engaging, and it is very profitable from the standpoint of material prosperity. Working people do more and better work when living in the midst of beautiful and wholesome surroundings. It pays factories to have flowers over the walls of their buildings. A city which sets out for a high ideal of beauty, as Kansas City among others has done, attracts and develops a higher class of citizens than another city which neglects them. How does Concession repress and impede these enterprises? By despoiling society of her natural revenue, natural rent.

St. Louis has long contended with a Terminal Monopoly which exacts a toll from her commerce for crossing the river. This monopoly owns all the bridges, but it is now proposed to build a bridge with city ownership which shall be free. The principal bridge, designed by Captain Eads and known as the Eads bridge, is a continuation of Washington Avenue. But near this bridge on Washington Avenue, within a length less than 2,000 feet, the land fronting on this one street exacts a revenue from commerce far in excess of the total taken by the bridge combine, with which press and platform have resounded. Think of it! This little space of land, exclusive of buildings, which no man helped produce, takes a tribute far in excess of the magnificent steel arch bridge, more than a mile in length, another railroad bridge, many engines, buildings, etc., a tunnel many blocks in length, and many miles of tracks; even though this terminal property pays upon a capitalization several times the value of all this visible property.

Yet nothing is said of this landlord's tribute.

While the rent of this tract is so great it is but a speck on the City's surface, nor is it the highest in rental value. Yet with all this immense value which the real estate of the city yields to its owners—value belonging mainly to society—(for most of its rent is Natural Rent or Use-premium) her charitable houses are crowded almost like the prisoners were in the "Black Hole of Calcutta." Her schools are crowded for want of buildings, her streets poorly paved, her central parks crowded and tramped until the trees refused to grow. What if they get a free bridge; will commerce be the freer? Perhaps, but will there not be a tendency to advance rents and absorb the saving? For concession, like interest, tends to average itself.

The merchants of one city are compelled to compete with those of another, and if other rates are high, they cannot also pay as high rents. What is true of St. Louis is true in greater or less degrees of all cities.

Many can see no difference between an investment in Wealth and one in Concession. The rights of the buyer of land or stock in a franchised corporation, may be just to the extent of the price he has paid, so far as he is individually concerned; it is the same justice that property in slaves possessed. It would be wrong to deprive such investors of their property, but no one has a just perpetual right to any kind of property. The value of all property should return to the common fund at the end of certain periods. Wealth does so return, because the old is consumed and the replenishing must come through the channels of output. But Concession needs no replenishing; it grows in value without care.

In speaking of the Astor estate, Barton J. Hendrick says:

"Astor had invested about $2,000,000 in New York real estate. At his death its value was $20,000,000. When William B. Astor died, in 1876, it had increased to $100,000,000. By 1890 competent authorities estimated it at more than $250,000,000. The total Astor holdings now distributed among several branches of the family, amount to at least $450,000,000. Here evidently, we have a most notable instance of the unearned increment. When John Jacob Astor died, the New York Herald, in an editorial article, gravely suggested that his property be divided in two parts, one-half to go to his heirs, the other to the City of New York. For it was not Astor's energy or genius, said the "Herald," which had made him so rich; it was the city's commerce, its fashion, its men of enlightenment and progress, which had converted his goat farms and swamps into the richest rent-bearing soil. The owner of great railroads or steel corporations must constantly nurse his fortune, must join in the competition for improved methods and the indispensable men. Under these conditions a great fortune is a great burden, maintained only by constant vigilance. The whole Astor family, however, could sleep for a hundred years, and at the end find that their riches had grown a hundredfold. All the economic and social forces which have made New York the American metropolis, have entirely, without their instigation, also made their wealth."

A striking example of this deprivation of humanity by the Concession interest is exhibited in Los Angeles. Perhaps history does not give another instance of such growth in population for a period of ten years as Los Angeles had from 1896 to 1906, and with this growth such an exploitation by the real estate interest. Millions of lots were platted from land which recently cost the exploiters a nominal price per acre, and through the unprecedented influx of people, was concessionized up into the total of hundreds of millions, and sold to those who sought to enjoy the glories which Nature has there provided. Yet with all this accretion of unearned riches, the stewards of The Public's interest sat by and failed to claim the thousandth part of society's share. To-day the city finds itself almost a municipal pauper, without public buildings, without parks, and sewers, its streets rivers of mud when it rains; its jail a foul center of pestilence from inadequate space and sanitary accommodations; and the overcrowding largely occasioned by lawlessness caused by the desperate results on her business interests of this reckless exploitation.

Los Angeles will recover from this condition and set her house in order, but the cost will be paid by owners who have paid hard dollars for their land, instead of from the unearned increment.

Every city in our land has had the same experience in a degree, but every city has not had the natural requisites to create an Earthly Paradise. Nor have these exploiters as a rule had much permanent gain. Many of them are now penniless.

The time has come for society to claim her own, and with this plenteous fund make cities fit for human habitation. Jefferson said: "The art of government is merely the art of being honest." But it is impossible to be truly honest without the adoption of scientific principles as a basis of action.

As one cannot rightly administer the affairs of another without a definite knowledge of the affairs which are his; no more can he the affairs of a city or State, without a scientific knowledge of what constitutes its rightful estate. And science teaches that this estate of Society includes the whole of Natural Rent. Yet this plethoric fund is but part of her rightful revenues, for she is the sole, rightful and indisputable heir of all the wealth of past ages. Society has no need to beg for revenue, to impose on her useful and productive children for burdensome rates of revenue, nor to skimp and economize in the furnishing and provisioning of her house. She is rich beyond the wildest dreams of romance. Will not you, dear reader, be one of her attorneys to insist on her claims to this great estate?

Belief and Practice.

Is the ownership of and receipt of the revenues from concession inconsistent with belief in the foregoing principles?

Tom L. Johnson was reproached with getting a fortune from protected industries while preaching against the iniquities of the system; yet his position was consistent, for he used such income to help support the reform. It is likewise consistent to believe in the injustice of our land and franchise laws, and yet take revenues from holdings under such laws, if we use such revenues unselfishly.

Why should all of such revenues be resigned to the wholly selfish? Further, while such concession exists, it is a burden and a tax on all our legitimate efforts, and it is in a measure our duty to recoup ourselves by securing some share of accessage, just as we might protest against the destruction of forests or game, and yet justify ourselves in partaking of such forests or game while there are no laws to prevent their wasteful use.

We are entitled to some share of the increase given by land and social resources—everyone is; and we may rightly secure to ourselves a share even before we are able to guarantee it to everyone.

PART FIVE.

Reclamation.

CHAPTER I.

Paternalism.

THE noble-minded Ruskin perceived the unfairness of the prevailing commercial system. But Concession in his time was not so nearly developed, not so nearly ripe for elimination, as to-day. He recognized brotherhood as the natural relation of man to man, a relation the opposite of the devouring greed of rampant commercialism. He pointed out the failure of the French attempt at fraternalism, because it lacked "paternalism" (as he terms it), a condition precedent to fraternalism.

What is paternalism? We hear much sarcastic comment on "paternalism" these days, when reforms are proposed. The term as commonly used in such connection, implies a sort of fatherly pampering or partiality on the part of government to a certain element or class of citizens.

When labor asks for laws which it deems necessary for its protection, the cry goes up: "Paternalism! Paternalism!" When laws are demanded to protect childhood from the modern Moloch, the devouring factory, there is a loud cry of paternalism! When public lands, minerals or other wealth would be reserved for public good, there is the same cry.

Now Ruskin had a perfect conception of an ideal paternalism, however crude in its details his political economy. His idea of paternalism, was such a government control and management of "the great estate our Father has devised to us all," that it should not only prosper to the greatest possible extent, but that the results of its plenteous output should be shared by all, due regard being taken for the merits of each brother or sister.

A healthy social structure is not built up by using individual men as the bricks thereof—resting an appalling burden upon those below, that those above may attain to eminence; but rather, as St. Paul has so beautifully portrayed it, society is a vital, living organism, and individual men are its members as illustrated by the members of our bodies, each contributing to the nourishment, well-being, harmony and beauty of the whole body, and each dependent on the whole.

"And whether one member suffer all suffer." But under a system based on individual greed, some men are merely parasites on the rest.

Down with an elevated class which is a burden on those beneath!

The powerful owner of great riches is commonly and justly censured for his greed when he looks to the procurement of legislation promoting his advantage. But, my dear brothers and sisters who toil for a meagre wage, examine your own hearts. Are you less selfish? How much thought do you give to your fellow toiler's condition? Examine your own desires, and see if you do not covet property for the power which it gives to dominate others. Judgment must be given against you that the primal and continuing cause of your enslavement is your own avarice rather than the greed of the big magnates. Your greed to get wealth solely for selfish consumption. And this is the evidence which condemns you: That while you hold the voting power *wholly* in your own hands, yet through your greedy indifference, you neglect to inform yourselves of the principles of government, or of the legislation which your enslavers procure; you even neglect to vote.

If you would be free, you must get free *along* with your fellows. Then in the name of Heaven, READ! THINK! ORGANIZE!

Organize not alone labor unions, but clubs, societies, associations, to protect, educate and elevate mankind. If your union organization or government is infested with grafters, rout them out! Attend the primaries! Vote! Govern the land for Humanity!

One object of this volume is to advocate some systems of legislative reform for the reclamation of our birthright in this wonderful estate, bequeathed us by our Creator, the fruit of which is being taken by concession. I am not going to advocate a system of paternalism, which is expressed in the mother bird who is afraid to push her brood from the nest; for no one wishes the government to maintain a helpless class of grown-up infants on a figurative nursing bottle. Rather I wish to advocate the abolition of all laws which support "pets."

Let us, then, rather demand the ideal, true paternalism of Ruskin; and what is needful to introduce it, but the *abolition* of favoritism?

Certainly "one may not lift himself by his boot-straps," nor are the means of subsistence and luxury created by law. But legislation, which repeals such laws as permit the few to impede and destroy, to despoil and deprive the many, will introduce true paternalism—will provide bountiful supplies for all.

I would simply recommend that no laws be passed granting franchises for the operation of certain, simple services. I would recommend the repeal of laws which extend title beyond the life of him to whom it is granted as a reward of his service; of those laws which despoil and discourage industry by taxation of capital, and by imposition of licenses, tariffs, and other unjust burdens; of laws which give a domination of great expanses of natural opportunity without regard to use; of laws which uphold estates grown in extent beyond the enjoyment of their owners. I would repeal all such falsely paternalistic laws, and let humanity come naturally into its rightful heritage, unhampered by favoritism. These are not new or untried theories. Yet it need not be expected that legislation alone, however wise, will perfect mankind. The discussion of progressive legislative reforms does, however, help to elucidate sociological principles and their enactment into statutes tends to develop an improving civic thought by making ideas fixed and tangible.

CHAPTER II.

Title Limitation.

HAVING noted the present methods by which consumers, producers and society are robbed of their rightful enjoyment of output, what means can be suggested to restore these losses?

That title to all property primarily inheres in Society is our basic postulate. Therefore, only society can confer title.

Title does not emanate from labor, any more than from capital or concession. Society now decrees title to reward labor and capital, and confirms into title the claims made by concession. Those who "howl paternalism" the loudest are they whose wealth is founded on the favoritism of government.

But when we seek for the basic equitable principles of title and the laws which should naturally govern title, we find that the agent of society—government—has no just right to give perpetual, or *absolute*, title for any cause. That the most that may be naturally and equitably done is to give an "easement" or a preferred temporary right to use property, to him by whom it is merited.

This awfully sacred thing called "title," or property rights, is the real incubus on civilization.

Parents may have several children and a home with a number of rooms. They may assign one room to John and another to Helen and another to Kate. Other brothers and sisters being too young need no separate rooms. But how foolish when John or Helen go out into the world to be gone for several years, or forever, to hold their rooms unused, a prey to moth and mildew, while the younger children, now grown up, are suffering for their use. Why any more should society, our common mother, apportion the use of her estate for all eternity to certain individuals and their descendants?

Title's exclusiveness needs reforming as much as its duration. At the very best we can only concede a temporary, *partial* private possession and control of things for *any* consideration. The rights of Society must at all times be paramount. This principle is rapidly being recognized. Formerly the owner of land had the right to inflict capital punishment thereon. What he may do or allow on it is continually being restricted.

Why should *title* give to the land owners of a district the authority to say whether saloons should be licensed therein; or franchises granted; or nuisances maintained? Many States are taking away these prerogatives of realty owners. Many cities are prescribing rigid rules as to what one may build on his own lot, as to its sanitary conditions, its liability to burn, its nearness to the curb line, etc. In Kansas City one is liable to arrest for hitching his horse to a tree in front of his own lot.

But the greatest care should be taken in these restrictions not to impose rules burdensome to the whole people.

These simple and beneficial limitations are only a beginning, but they denote some perception of the true character of title, and as there grows a broader apprehension of it, they may be so extended as to recover to society much of its natural rights in property. Controllers of public service corporations reluctantly admit society's rights to control what is "one's own;" but Society has a right to enforce her *Domain of Greatest Use.*

Title should only extend to the individual along such lines and under such restrictions as will guarantee the greatest common good.

But precedent dies hard in our courts. Many court decisions are based on the farce comedies of history. Title may justly emanate only from the people, and at the end of a season, like the leaves from the trees, must return to its source.

Every private interest should be subordinate to the public good. This does not imply the communistic doctrine which seeks the elimination of private property, but rather aims to make private property more universal and abundant. All have an inalienable right to live, but this does not mean that rations should be issued to the individual as in time of calamity or siege. The true principles of fairness rather encourage each family to own its home, to accumulate capital, to be diligent in business.

That the only right to subsistence is that bought by labor, is one of the most pernicious of doctrines. All have a right to partake of the glorious bounties which God has given. Each one has this right before he is able to work. But all who are able to work owe it to Society to do so, and acquiring property by any lucky cause, cannot cancel that obligation.

The principle of "eminent domain" should be extended to individuals, as well as municipalities and corporations. Anyone should have the authority to condemn property for any useful purpose. Naturally, statutes giving such power should also impose such restrictions as would insure justice. One should not have power to condemn another's home, simply to use it for his home. It should always depend upon a superior use being made of the property condemned. This remedy offers a most effective weapon against trusts. But it is especially effective against the engrossment of large tracts of land.

Why should not a gardener or a fruit grower have a superior right in land to one who makes little or no use of it? Why has any one a right to hold idle tracts of land anywhere in the way of progress and improvement? Nor would I limit such condemnation to the *purchase* of such lands, but I would give the right to condemn their temporary use, upon payment of the rent adjudged to be fair. Had the Irish this power, they could not be evicted as they have been to make room for pastures and game preserves. The most effective course along these lines is that pursued in Australia and New Zealand where the State has condemned and subdivided the large tracts.

Many industries, as they expand, are obstructed by the owners of the land they require, though it may be almost worthless for all other purposes. Access to waterfronts, to railroads, harbors, roads, is often controlled by the title to a small strip of land. In some States the water supplies needed to produce crops upon arid lands, or even to supply cities, are most shamefully allowed to be appropriated and wasted.

CHAPTER III.

UNITS, MONOPOLIES, PUBLIC OWNERSHIP.

RECOGNIZING the universal, primal title of society, many great lovers of humanity have advocated the common holding of all wealth by the community—communism. One of the most complete expositions of a plan to carry this idea out is Edward Bellamy's "Looking Backward." But there are radical limitations to the practical success of both "common" production and "common" use.

Much property is only susceptible of use individually. Clothing, furniture, houses for home use and innumerable personal belongings are valueless if not devoted to the special use of one person or one family. We may adapt our personal property to our special requirements. Then again many things which may be used by many in common give much greater satisfaction if allotted to the use of one person. A livery horse is not so satisfactory as one kept and trained to the usage of one person. A hotel is not like a home. Books may be used at a public library with much satisfaction, but not so much as to entirely make a private library needless.

Then again, many arts are much more satisfactorily pursued privately. This applies to a large degree in agriculture. The cultivation of a large tract with hired labor is seldom nearly so successful as when subdivided into many small tracts, each worked by its owner in person. Large department stores fail to give the satisfaction to shoppers that small tradesmen are able to give. They are now very successful in many places, and are able to make many economies, and sometimes lower prices, but it is very likely that they will be replaced soon by small tradesmen under some co-operative renting arrangement.

The individual by working under his own direction is able to give a character to his work. He is encouraged to see and take advantage of processes and methods, impossible where subject to the control of a distant authority.

But there is a limit to the advantages of this personal interest. Many working together are enabled: First, to divide the various processes of the undertaking so that each may do some part for which he or she has more special aptitude. In a factory, one may successfully buy stock, another manage machinery, another sell output, another keep the accounts. Secondly, by combining together, they may procure equipment, impossible for single individuals, either to buy or to use, separately.

The ability to have the required capital to furnish equipment and get adequate stock to work upon may be provided by joint stock companies or corporations. Each individual puts in his portions or shares of so many dollars for which he is supposed to share proportionately in the net profits.

But corporations do not pretend to divide profits with any but stockholders. Those who operate their plants are hired at the lowest market price, often at scant living wages, while the company makes large profits. Attempts have been made to correct this defect by forming co-operative societies, or corporations in which none but workers hold stock or share profits. There are many radical difficulties in putting this into practice, one of which is the impossibility of agreeing on a basis of division in proportion to what workers contribute to output. Some have attempted to give a stipulated salary to each operative and then divide profits in proportion to salaries. This may be somewhat more attractive than simply paying higher wages, but operatives usually seem to have little appreciation for it, regarding the profits divided as charity. Some co-operative societies have, however, been measurably successful. That is, they have grown to do quite an extensive business. But even they have not included consumers in their sharing. In many cases they have failed through cumbersome methods which have annoyed patrons and have failed to regard the necessities of commerce.

In both corporations and co-operatives private initiative tends to decrease as the business extends. The only private initiative which is likely to be very effective in a great industry is the controlling stockholder. The Public, may with good reason expect to hire managers as progressive for publicly operated enterprises under reasonable conditions.

COMPETITION should not be confused with EXCELATION.

Competition as defined by Webster has two phases of meaning; the first, striving between two or more for the same thing of value; the second conveys the sense of unselfish desire; to excel, or outdo in quantity or quality of excellence, but *Excelation* better expresses this latter meaning.

The theory of competition is that each concern, animated by a desire to get as large a share of trade as possible, or all of it, will cut down prices and try to undersell the other. This implies that each must strive to cut down the cost of the product by cutting down wages, and quality of output, too, if it may be done without discovery. This selfish competition, like all war, when carried to its logical conclusion, means the annihilation of all but one of the contending parties; in other words, that the survivor shall be a trust or monopoly. This is a consummation worthy of the primary impulse of competition.

Selfish competition, like everything else founded on avarice, is a failure. Greed is not a healthy, normal, inspiration. Its natural results are deception, injury, waste and destruction.

Among the accompaniments of competition are wasteful advertising and dishonest methods of getting business. Grafting, rebating, and various methods of commercial slugging of rivals; cutting of wages, working of children, sweatshop production.

In order to defend this destructive system, instances are cited of the good results of laudable efforts to excel. But that is not competition. The effort to excel is indeed the life of trade. It is a stimulant to industrial progress that should be encouraged. But selfish competition not only does not encourage "excelation" but is most destructive of it. Everything that tends to promote the highest excellence in products should be supported.

But have we not seen abundant evidence of the worthless trash resultant from strenuously selfish competition? "Excelation" means the setting up of standards and their constant elevation toward the highest conceptions of excellence. But it does not in any sense mean the reduction to the lowest levels of price, even at the cost of honor, honesty, and the destruction of the best standards of civilization and humanity. It does not mean getting trade irrespective of honest wages, honest goods, or honest methods.

"Excelation" holds up to child and adult the illustrious achievements of heroes in all lines of science, invention, art and progress. The evils of Trusts are not overestimated, but the remedy is not selfish competition; for Trusts are but the culmination of competitive greed, not alone the greed of the few who organize them, but the greed of the whole community.

If the present heads of trusts were all banished and the corporations dissolved, think you that they would not immediately spring up again from the conditions which first produced them?

The very assumption that reasonable prices for good service, or good goods, can be maintained by greed, is too absurd on its face for consideration. But the evil of trusts is not that they put an end to selfish competition. Indeed, this is the only commendable thing that may be said of them. This result is like that of the termination of petty tribal wars by the triumph of some more powerful chief; which at least brings about a cessation of destructive strife, though it does not institute justice. Greed formerly had a more personal expression in individual "boorishness." It is now coming to a head, is more nearly ripe for expulsion. It is manifested more in organized form, but it is not less an expression of individual covetousness, widespread among the people. Our President has wisely said that greed is the greatest danger which confronts our Nation. Covetousness is as radical a sin as murder and must be so recognized.

In order to compete, the apple growers in some districts put a few good ones on the top of the barrel. In order to excel, the apple growers of Hood River, Oregon, pack the barrel straight through with precisely the same kind, with the result that Hood River apples bring almost double on the New York market. It is the effort to excel that has made the products of different cities famous—the china of one, the cutlery of another, the butter, lace, linens, etc., of others.

The excellence guaranteed by certain brands of hats, shoes, collars, etc., make people demand them. To get trade thus is praiseworthy, but the attempt to compete against honest goods by offering shams and shoddy goods at low prices, is degrading. The right of the consumer to procure his needs from the best and most available supply is incontestable. No infamous tariff law framed in the interests of unjust holders of natural raw materials—holders of forests, mines, or soil—whether purporting "to protect labor" or "to raise revenue," can be justified by reason or experience. Yet does not the selfishness of the majority support the tariff?

God made trade free. Every instinct of true manhood is for removing the barriers to trade, whether they be obstructions in waterways, unjust carrier charges or any of the despoiling forms of taxation of trade or industry, such as tariffs, licenses, taxation of the results of industry, or the repression by trusts or holders of idle or half-used lands. Only greed of the most destructive and vicious type desires to curtail output and use of things desirable. But trusts would not be wholly prevented by removal of the tariff. Many are international in scope.

There is but one remedy for trusts. This is to give people access to such a supply of each product as would best satisfy the demand. If monopoly has made it impossible for private interests to do this and exist, then government should take the field and offer such supply. But government will not unselfishly provide such supply until the people it represents are less selfish. Happily, people are advancing along this line.

Ruskin had a beautiful conception of this problem, even though trusts were hardly known in his day. He complained of inability, by reason of dishonest trade methods, to procure honest wares in certain lines—among others, art materials—and suggested that the government produce such things of fine quality and offer them for sale at a liberal percentage of profit, stamped with the quality. Private concerns could not then hope to sell other than a good quality of such things.

No more reasonable, simple or sure solution can be imagined for the trust evil. In this manner cities could easily defend themselves from such abuses as an ice or milk monopoly. This remedy would not only restore the right price, but the right quality of such things.

UNITIZATION is not always, however, an evil *per se*. Rather it is often the only rational method of supply; for good service in many lines depends on the uniting of service.

Telegraphs, telephones, railways, postal service is radically reduced in efficiency by division.

Of what use is a sleeping car if it does not carry us at least all night? Or a telegraph if it does not reach all wishing to communicate? If there are two telephones, we must pay for both or be in communication with subscribers of but one system. It has been lately officially recognized that railroads may not be successfully operated without at least making a unit of their freight service. As production becomes more natural, as the brotherhood of man is more recognized, the means of supply tend the more to become units. Brotherhood *means* unity.

Means of communication, transportation and travel are most essentially units. Every citizen of a city has increasing need of telephone connection with every other citizen of the same city.

The excellent article on "Trusts" in Cyclopedia Americana points out this natural evolution of units as operated by trusts, and the further fact, that this "unitizing," being the result of natural and deep-seated laws, cannot be suppressed by stupid superficial laws.

Every American has with the progress of time greater need of railroad, mail, telegraph and public highway communication, not only with every other American, but with the whole world. Automobiles have given a great impetus to this desire for intercommunication.

As the necessity of these *unit services* grows, so the value of the franchises controlling them grows. This value should naturally accrue equally to every citizen. But during the life of a franchise it accrues solely to its owners.

Consider the enormous value of telegraph, telephone and railway franchises. These should be recovered to the public. At greatly reduced rates they would give enough net revenue to pay all expenses of government, while paying the same wages as now, if it were desirable to raise all revenues so.

There is no moral restriction against the public supply of the people's needs, even though it do make worthless, franchises and concessions of vast value, based on excessive charges. Would it be wicked for you or me to privately put on the market a supply so cheap as to break up such established interests? Then why is it wrong for the public to institute such service?

Why should a certain fictitious value be recognized as a basis for the rates of a monopoly service corporation simply because there are a few innocent stockholders, without regard to the million innocent patrons? Rates for transportation, communication, electricity, etc., should be gradually reduced to what will pay liberal interest on the value of the tangible physical property at present cost of its duplication. The German Minister of Ways recognized the justice of this principle and likewise how to apply it. For when private ownership of railroads became detrimental to progress and he began to negotiate for their public purchase, he was asked fictitious prices, he at once began preparations for their paralleling. This brought the "varmint" out into the daylight. Their purchase was then made without further difficulty, but, fortunately for Germany, they are not hampered by a Supreme Court as we are.

When this new and just principle is established, it will be notice to the purchasers of such stock not to expect dividends from the spoliation of the people.

Many reformers are too careful to state their respect for the prerogative of established interests and for property based on concession; that such property is as just as any, and should pay no more taxes, etc. This is like the *ante-bellum* talk about slave-property. Will such persons state whether the standard of such property shall be based on market value after or before a panic?

Mayor Carter H. Harrison, of Chicago, made an address to the Yale law school on "Some Phases of the Municipal Problem," in which he laid down seven principles so axiomatic that they might be termed the seven civic commandments. They are:

"1. Public property is worth to the people dollar for dollar what private property of the same character is worth to its owner.

2. The municipality is greater than any corporation to which it grants rights.

3. The demands of the individual, whether it be a single man or the artificial entity known as a corporation, must be subordinated to the requirements of the mass of the citizens.

4. Public service should be directed toward providing the greatest good to the greatest number.

5. The commandment 'Thou shalt not steal' should not be applied merely to the property of individuals.

6. The boodling of a franchise through a city council is no less dishonest than the burglary of a neighbor's house.

7. The corrupter of an official stands no higher in the sight of God, nor should he stand higher in the eyes of man, than the official who betrays the public confidence by the acceptance of a bribe."

The revenue which service plants derive is not the only loss to the public. A greater loss is the lack of good service. Contrast the grade of service given in a $1.00 telegram and a 2c letter, collected and delivered by men who pass examination for ability. Telegrams are delivered by boys who can scarcely read or write the simplest words, coming to us so dirty, misspelled, mispunctuated that their meaning is often obscured.

The petty charges of telegraph and express concerns for delivery on prepaid service is often enough for the service.

It is needless to point out the defects of service to the strap-hanging passengers of car lines; to the overcharged patrons of duplicate telephone systems, or users of the intermittent gas supply of private companies, who never know whether they may have their meal wholly cooked, to say nothing of the bills.

That the benefits from the blessings which God has so plentifully provided—the rich stores of nature and of progress—may be best diffused among all mankind, it is imperative that many kinds of property be restored to the common ownership of society; that it be controlled and operated entirely independent of private interest. This is Public Ownership, but it remains to some extent a question of expediency what should be so undertaken.

We hear that without private enterprise we would have no gas, electricity, etc. Public Ownership does not contemplate the discouragement of private enterprise, but franchising of corporations does. Did the railroads adopt safety inventions until compelled to do so by law? Do they yet lend special accommodation to the small coal miner, or oil producer, or cement manufacturer? Why can an old, rich concern in New England compete in California with a superior natural supply thousands of miles nearer? Simply because young enterprise has no show for transportation over private ways in competition with vested interests.

Has experience proved Public Operation a success? There are some apparently great failures; but these are often farces. The absurdity of expecting old, rotten barges on the Erie Canal to compete with and compel a reasonable rate on railroads, when these barges require several men and several mules two or three weeks to go from Buffalo to New York with less than two carloads, is evident. Nor will much more be accomplished when the State of New York spends enough on the canal to gridiron the State with railroads.

Four modern railroad tracks will do more hauling than ten inland canals. Canals are a relic of primitive times, unless they allow the passage of ships between two great waterways, as the Panama Canal purposes to do. Various States have owned pieces of railroad which were failures. They were not units. But there are many great successes. The test of success with a public enterprise is not that it make money or lower the tax rate; its main object is better and cheaper service.

Toronto is well satisfied with its experiments in public ownership. Its waterworks yield a profit, though the charge has been reduced to $2.40 a year for an eight-room house and $4.20 for a 10-room house. The street railways, municipally owned, but leased to a company, paid 5 per cent. on the stock and, in addition, turned $235,447 into the city treasury in a year. Gas in Toronto is 80 cents a thousand, and the city has decided to build its own plant unless the price is reduced.

One direction in which the substitution of public for private monopoly is most certain to be a success is by eliminating graft. Most of the official graft now originates from bribery by franchised corporations seeking extensions of privilege, or protecting those held.

What greater success could be expected than the Postal Service? Though there is often an apparent deficit, we must remember that the mail is used for much free public service, which would cost millions if the postoffice were private. Tons of public documents, seed, etc., are carried freely.

What better example of success could be had than the public schools? How would education have flourished without this great boon? It needs further extension in free books and free noonday lunch to all pupils, not as charity, but as the most economical means of supplying these needs.

After two years' investigation of practical results both in Europe and America, the Committee of the National Civic Federation have just made a report as follows:

> "That the four leading public utilities, gas, water, electric light and power, and street railways, the only ones they investigated, cannot be suitably regulated by competition. 'Legalized and regulated monopoly,' whether under public or private ownership, is necessary. Of the sort of industry suitable for public ownership, they say in the first place, 'Undertakings in which the sanitary motive enters largely should be operated by the public,' since it is dangerous to allow any one to make a profit out of a public utility which affects the health of the citizens, and the public operation of these utilities must not consider merely the profit to be made. The Commission believes that franchises should be granted for only a limited time, with the provision that the public may buy them out at a fair valuation. The Commission believes in the widest publicity of the accounts of public service corporations, and that they should issue new capital only with the permission of public authority. In order to isolate municipal undertakings from politics the Commission recommends that the municipality employ an executive manager, and that the finances of the undertaking be separated from those of the rest of the city. The municipally owned business should be as distinct from the rest of the city government as is the privately owned."

It is argued against public ownership that it incurs debt. What is a debt? Something that absorbs production. Do not franchised corporations absorb? A debt may be eventually paid or its rate reduced. Franchises continue to absorb if they are not themselves publicly absorbed. They are bonded for several times the cost of improvements and the patrons must pay the interest.

But is there not danger in "Government paternalism?" Is not this going into business contrary to the traditions of government? Surely it is, but government was traditionally and historically instituted to allow the privileged class to prey upon the rest of mankind. Happily its purpose is being somewhat changed. Senator Beveridge said, in appeal-ing for protection from the blighting effects of childhood labor, "The Constitution was made for the people, not the people for the Constitution." It is not so certain that it *was*, but it is unquestionable that it should be made for them. There was nothing ever done by man that may not be improved in the light of experience.

We should extend our advantages and comforts in every possible way. Our cities should supply transportation, telephones, gas, electricity. The time is not far distant when they will supply heat, compressed air for cleaning, refrigeration and other uses; when they will cut lawns, plant trees, remove all rubbish, wash all streets, conduct funerals, own cemeteries and do innumerable things scientifically and effectively.

Why should not all the people in common do everything for all the people which they can do collectively more effectively or cheaply?

There should be no attempt to make a profit on such service as is to the common interest to have done thoroughly.

Whatever is demanded in something like equal proportion by all, which may not lead to waste or extravagance at public expense, may perhaps be free. For instance, clearing of garbage, ashes, sprinkling of streets, etc.; providing play grounds, boating lakes, rest stations, drinking fountains and music rooms. But broader opportunities are good hard roads, reforesting of hills, reclamation of swamps, and the general beautification of city and country. The effort of philanthropists as well as municipalities to provide cheap and good flats in congested districts is a mistake. It will be much more easy and effective to relieve the congestion. What creates congestion?

Manifestly it is the employment given near such old shacks as are rented cheaply. The remedy is to move the employment to the suburbs and condemn the shacks as a place for parks. The money some generous rich men are spending to provide model tenements, if spent to induce industries to move out of congested centers, would relieve thousands where the model tenements but slightly relieve few.

High buildings tend to congestion. Building restrictions if honest are of great benefit. No two houses after the same plan should be allowed in the same block.

Robert Hunter thinks that capitalism (proprietorism) will soon go the way of "other class systems." "Lawson," he says "sees its frenzied finance; Hughes sees its robbery of the widow and orphans; Hearst sees its political treachery; Steffens sees its political perfidy; Miss Tarbell its soul of dishonor and hypocrisy; Robert De Forest its murderous tenements; Felix Adler its slavery of the children; Roosevelt its poisonous food products." Mr. Hunter sees all these things at once, and the sight has driven him to join those who demand "the social ownership of the instruments of production."

Public ownership is an effective means of giving to labor good wages and to the user good cheap service.

It is not the tendency of publicly owned utilities to raise rates or cut wages with the advent of prosperity. Advantages of science, and general progress inure through this channel directly to the benefit of all.

Privately owned concerns charge "what the traffic will bear." When invention reduces cost it does not imply a reduced cost to patrons of private service. What a large percentage of the benefit produced by such noble branches of government as the geological survey, harbor and river improvement, reclamation service, etc., are absorbed by great private monopolies who dominate the approaches thereto!

The extensive building of highways, now so generally agitated, could be made a grand blessing to humanity. If by proper legislation the principal roads, those connecting the greater cities, were made into boulevards, it would be the crowning achievement in relieving congestion. But to do this, the land, not alone for a broad street, but from two to five hundred feet adjoining, should be acquired by the State, and platted into home sites. Then with a publicly owned car line, with driveways, cement walks and lawns on either side, the grandest residence places on earth would be afforded, and could be sold at fair prices to repay the cost.

Public ownership and operation is pre-eminently scientific and certain of success with all forms of service-industries which are units, and whose output is not diversified and intricate. If intelligently administered, it restores to society its *natural rent,* to consumers their *natural prices,* to laborers their *natural wages.* Its rapid extension is only limited by our blindness to our mutual interests which tolerate the crude and barbarous forms of government yet prevailing in most of our States and municipalities, where *quantity* of legislators takes the place of *quality* and intelligence. Is it any wonder that a herd of barkeepers and ignoramuses should fail to administer anything successfully?

The most radical evolution tending to such an improvement of government as will hasten publicly-furnished utilities as well as the achievement of other needed reforms is the simplified form of government termed the "Commission plan of Government." This plan, born of calamity, and the courage of less than a score of citizens of real public spirit in Galveston, is being inaugurated in various cities. Its success is the result of its common-sense simplicity. A board of a small number, preferably three to seven, is appointed by the Governor or elected at large in the city, to manage the city's affairs as would the directors of a corporation. They are adequately paid by the city for their work, instead of being paid by bribe-givers. What could be more absurd than to elect members of a city's government from wards. The interests of the various sections of a city need no distinctive representation, and to select legislators so gives the meanest citizen with a local "pull" a sure seat. But why is it more intelligent to elect State Legislators so, or to have such a great unwieldy herd of them?

This new, simple form of government recognizes the *natural unity* of the community to be governed. It was the perception of vital principles which caused the framers of our Federal Constitution to preserve the integrity of the States. Each State has certain conditions, certain moral and social problems which demand peculiar treatment. Our nation is stronger by maintaining the integrity of States. Centralization of power in the Federal authority is extremely dangerous. Each State is a family and should have a separate house to suit itself. But wards, townships, legislative and congressional districts have no individuality.

A city is a unit and not a federation of wards, and to cut it up into parts for representation is to nullify the expression of the public will, by a complicated division of responsibility. As well might a railroad select a director from each county through which it passes.

Public ownership is sound in theory and works well in practice, but with all its possibilities, no one reform will rectify the dense errors which centuries of darkness have established. The utilities which at this time appear to be ripe for public ownership, effect but a minority of the people. Additional measures of reform are needed, the most fundamental of which is an aroused public conscience. Corruption and graft have grown fat on the unprecedented rise of franchise values, but dishonest or ignorant legislators can damage the community even more by depriving it of the use of public conveniences through refusing franchises and neglecting other means to provide them, than by granting franchises without proper restrictions. To prevent effective utilities by lack of legislation is burying the public's talent. Modern conveniences benefit the public, however unjust it may be to enrich corporations through franchises for them. Until public ownership and operation is possible, franchises should be quickly granted under such terms as will best conserve the public's interest.

Los Angeles proposes to adopt intelligent measures with regard to the sand in her river bed, to which she holds fee simple title through an ancient Spanish grant. A daily paper says:

"The scheme of Contractor Doran to hoist sand out of the river bed and deliver it to the sand haulers at a stated price per load, after being turned down by the city council, will be recommended by the mayor as a good one for the city to adopt.

"The mayor has sent a communication to the council recommending that the city purchase hoisting machinery, exclude teamsters from the river bed and charge them ten cents per load for gravel delivered on the banks.

"About 1200 loads of gravel are hauled out of the river bed every day. The cost of the machinery, he says, would be only several hundred dollars. The city would make $100 or more per day out of the enterprise, prevent the undermining of bridge piers and dispense with the numerous conflicts among quarreling teamsters in the river bed. Greatest stress is laid on the financial feature, as the city needs the money."

In the construction of the great Roosevelt Dam, which will form an artificial lake covering 25.5 square miles of ground, a large quantity of cement was required. The best price quoted to the Government for cement delivered was nine dollars a barrel. When it was announced that the Government would construct a local plant of its own to manufacture the cement needed, at the request of manufacturers further bids were asked for. The best price then offered was $4.98. The Government plant was constructed, and for over two years has been producing cement at a cost of about two dollars per barrel. The toal cost of the plant was $218,380.57. It has already paid for itself and will save on this job about a million dollars. The same plan has been adopted at the Panama Canal.

The City of St. Louis is arranging to supply itself with lime by kilns in its Workhouse. St. Louis not only uses large quantities of lime in public works, but in purifying her water supply by a system perfected through the efforts of Mr. John A. Wixford, one of the moderate salaried employes in the Water Department, a process eminently superior to any method of filtering both in its results and cost.

Until social conditions advance far enough beyond their present status, it will be impossible for the people to undertake the collective performance of all functions which now require franchises or other private control of natural or social opportunities. It is then only a question of what society is now ready to undertake to do collectively. This depends on the degree of civic progress in each community. As men come to have more benevolence they will begin to lose that inverted conception of wealth which rests on hindering others' use of it, upon the power given by it to command others, and they will gain the true idea of its real value, which is efficiency to contribute happiness.

CHAPTER IV.

Title and Time.

WHAT is the purpose of giving private title to property? That it may be more effectively used. Naturally, then, no title should run for a longer period than a lifetime; for why should we extend title to the dead? The Chinese and some Indians bury his property with the owner. Is it more reasonable to allow its disposal by him after his death?

All ownership should be limited to the lifetime of the grantee. This is not an untried theory. Patents are granted for only a limited term by every government. So are copyrights. In many countries they are based on the life time of the author; in some they extend to the time his youngest child attains a certain age. In most States franchises for public utilities and corporate charters are only granted for a limited term of years. After a great struggle, Illinois has finally secured a law limiting franchises to a shorter term of years than previously given.

Why should the title to land be perpetual?

We grant that he who goes into the wilderness as the pioneer deserves credit. But no one can do a service to compensate all future generations for the loss of their birthright. Has any certain generation the sole right to the earth? Has not each child born an equal claim to enjoy the bounties of nature?

What if William Penn had formed a close corporation for his heirs, and held to Pennsylvania, and continued until now to collect rent upon all land in the State?

But why not as well *one* hold title as for a considerable number of men to do so? The Anthracite Coal Trust collects millions upon millions on a small fraction of the State. Shall this be perpetual?

While the same principle holds good with Wealth-property—that its title should not extend beyond the lifetime of its producer, yet nature enforces the law as to such property. Only an infinitesimal portion of it endures even for the fourth of a lifetime. How much wealth is there to-day more than ten years old? Many houses, some roads, scarcely any railroads—they must nearly all have had new ties and rails—no grain, very little furniture or fabrics. In forty years almost all such things become memories.

Hence, in limiting the term of ownership we need but look to Concessions and Credits. Here alone we have permanence. Lands which were granted hundreds of years ago, are to-day held by descendants, and in many cases growing more and more valuable.

There was litigation in St. Louis to establish ownership on account of the alleged possession of the property by an ancestor more than two centuries previous. Had evidence been sufficient, the claim should have been recognized by our courts. Is this not worse than burying property with the dead?

The remedy is very simple. The same remedy was proposed for freeing the negroes, that all born after the plan went into effect should be free. So let us recognize that each child is born with an inalienable right to the freedom of his pro rata of land and opportunity.

The termination of title to homes and farms, when they are of such small size as to be personal in their nature, need not disturb the occupants but simply come about by a concession tax on the rental value. This could be put into effect by gradual increase in the ground tax to somewhere near the rental value of the land, excluding improvements. Improvements of a permanent nature, such as drainage, etc., might also be considered to merge into the land value after an average lifetime. Railroad grades, tunnels, canals, etc., become fixtures.

Bernard Shaw, in comparing copyright protection with land title, brings out the absurdity of the former. He says:

"Property in land was instituted in order to secure to the tiller of the soil the reward of his labor.

"Property on the land has the effect of entirely preventing the tiller of the soil's getting anything out of it. He gives all the rest to absolute idlers.

"We go on in the old way and we do not revise it.

"It is perfectly evident to me that if we, by some means or other, could be thrown into a state of chaos, and if to-morrow we could sit down and work out new institutions, we would not dare to institute property in land at the present time. It would be the act of madmen.

"Property in books, however, is a matter of recent institution, and we find this property strictly limited. You don't say to a man who has written a particular book: 'This book shall be yours and your heirs' forever.' What you say, very sensibly is, 'We will allow you to have the privilege for forty-two years, or, if you live longer, for seven years after your death, or rather, whichever period shall be the longest.'

"'It is quite useful for Socialists who are engaged in propaganda to remind people that in this very important department of production, the production of works of art, they have actually applied the strictly Socialistic method of settling property, that instead of giving a man an unlimited period, they give him title for a limited period, and then throw the book into the common stock.'

"'At the end of that period all these extraordinary works of a man will be thrown into the common stock and another person may print his books.'"

The Generation's Rights.

I know that inheritance is a sacred institution. It existed away back in the days of Abraham. Those in power have fostered the idea. Until recently, they fixed the laws all over the world so that their children should inherit the government. Printing presses and public schools are breaking in on that prerogative.

But property, the greatest force to compel or govern people, is still universally considered a right for people to inherit. It is plausible. My boys or girls are the dearest on earth. Why should they not have what is mine when I am gone? Ah, but how about others' dear sons and daughters? They have a birthright, too, whether their ancestors were money makers or not. And how do you know that what you have now may be kept for your children when you are gone? Were it not better to leave less, and to leave a better system of society and government for them to live under? One that would guarantee them a useful education and a broad opportunity? To love those near to us is well, but "do not even publicans the same?"

Are all men born free and equal? What does this mean? Not that they are equal in stature, or intellect, or talents, but equal in rights. Our government is supposed to be based on this principle, but does our government carry it out? In some matters of sentiment this principle is enacted into law. All have the right to trial by jury, all have the right of free speech, all have the right to work for a living, if the privileged few give them the opportunity.

If there is to be a race or contest for a prize of equals, all start at once on even ground and have an equal weight. If there is not equality, some handicap is put on the superior ones. A true sportsman would hold an athlete of a superior class in contempt who should enter a race with inferiors and then try to use some advantage. In the race of life do all start equally? How many poor boys struggling, suffering from hunger, weather exposure and lack of education and equipment can testify to the negative! How many poor girls are growing into womanhood without any of those things that are requisite for comfort and refinement, how many who are even suffering for bread! Robert Hunter says:

"Summed up in a sentence, the chief cause of the prevailing poverty of the adult poor is the fact that they are handicapped by the effects of a poverty-cursed childhood. As someone has said, 'the destruction of the poor is their poverty.' The poor child who survives the appalling slaughter of the innocents—307 deaths per thousand—is too frequently marked for life by the insufficient food and care which brought his fellow sufferers of the poor home to the grave. Here is 'race suicide' in its most appalling shape. And inasmuch as most of the deaths from disease among the infantile population in poor quarters are undoubtedly due to insufficient nourishment, the food problem is the most pressing. 'There is at least one European municipality which has solved this problem of the feeding of school children in a delightful, direct and simple way. The city of Vercelli, Italy, has made feeding as compulsory as education. Every child, rich or poor, is compelled to attend the school dinner provided by the municipality, just as it is compelled to attend the school lessons.'"

How many babies have not sufficient clothes to prevent suffering! How many die from lack of ordinary care and good food, through poverty, while others are born with title to tracts miles and miles in extent! Yes, while even dogs have thousands squandered on them!

I do not plead for equality between the ignorant and the learned, between the filthy and the clean, between the boorish and the refined, in the ordinary social intercourse. I do not wish to hold down the man of great capacity to the level of him who can only shovel. I only plead for an equal start.

What more *right* has the tender babe of a Gould or a Carnegie than the child of him who gets but nine dollars a week for shoveling? The Carnegie or Henry B. Hyde or Krupp deserves more than he who can only push a wheelbarrow, but where does one babe derive a greater right than another? You say from the right of inheritance, but what proof have you that inheritance is right? That we are used to it, and are not shocked by it, is true; but we should be, for it is the monster crime, though not yet recognized.

A prominent minister recently said:

> "It is rather a hopeful commentary on the decency of human nature that the actual abuse of children now excites among civilized people the greatest abhorrence and resentment. The neglect of children and the sinful iniquities of society of which they are constantly the victims do not seem to have made an appeal to public sentiment sufficiently strong to have corrected them.
>
> "In a hearing at Scranton before the arbitration committee appointed to investigate the complaints of the miners, it was testified that little girls no older than 11 and 13 years were employed at night work in mills, for which they received 65 cents for twelve hours labor.
>
> "Now, let no man or woman who looks into the laughing eyes of children who are well clothed and fed and pampered by fortune forget that the system which consigns other children to toil and privation is desperately wicked. Let them not lay the flattering unction to their souls that when they have satisfied the wants and gratified the desires of their own darlings they have discharged their whole duty. There is not a principle of justice in all the universe of God that sanctions the inequalities which cause certain children to abound in luxury and others to suffer from poverty."

Can a baby before it crawls give consideration to the community for more than its common share?

If one should be allowed to take what was owned by his parents, when they have property, why should he not be compelled to pay his parents' debts, if they die bankrupt?

All would say, "Oh, he is not responsible for his father's failure." Neither is he for his success.

What should be done with estates, should they be distributed to the poor? No, not directly. That would be too drastic and very likely the poor would be harmed instead of benefited and the children of the rich, being used to luxury, would suffer too greatly. I do not contemplate when Mr. Brown dies to go into his home and sell it, together with its library and furnishings, and put his children into a public home.

No, I simply propose to go ahead, along the line on which we have started out, and to broaden as we go along. We made the great initial step when we established free schools. This recognized the common right of the child to education. Now some "anarchists" in school managements in different cities have recognized the child's right to *eat,* and have arranged to give a good warm meal to those coming to school hungry.

"Suffer little children to come unto me, and forbid them not, for of such is the Kingdom of Heaven." What a narrow construction we put upon the Master's words when we are satisfied with simply providing Sunday-schools and churches where the child may go *if* it happens to have anything to wear, and when we neglect every earthly provision for its comfort. No saying of the Master is more obviously true than the above. The child thought is receptive of God's truth, and the first duty of the Christian is to strive to open up to it the gates of this kingdom of harmony not only to his own children, but all children; not alone by offering them good words, but by striving to see their needs supplied.

In many States the child's common right to correction and training to keep it out of crime is being recognized, and juvenile courts are established.

Laws are being made and enforced to prevent those under fourteen from being put to hard labor. They should be taught to be useful and happy. They should have pleasant surroundings. They need not *own* them but *use* them.

No child should be compelled to live in pent-up tenements. Cities should secure ground for cottages and make them available to all children. Private builders should not be allowed to build without sanitary and attractive features. Bad tenements should be torn down. Baths and gymnasiums, gardens for them to work in, play grounds to play in, laboratories, and machine shops and studios to work in, should be available to, and urged upon all children.

Gov. Folk of Missouri, in speaking of the working of the compulsory education law in Missouri, pointed out what he declared to be a serious defect in it:

"This defect," said Gov. Folk, "exists in practically all of the States that have compulsory education. The defect is in the provision which permits a child, 'the sole support of indigent parents," to be relieved from school attendance and allowed to labor.

"Recently, I went through some of the great factories of St. Louis to investigate the workings of this law. While the child-labor law is enforced, I found many instances of little girls and boys of 9, 10 and 11 years of age at work. In each of these cases it was claimed that the child was the only support of a parent. Experience has demonstrated that the majority of claims for exemption are not bona fide, and are the product of parental advice rather than necessity.

"However it may be, I believe if a parent is so poor that he must depend for support upon the labor of an infant child, he is poor enough for the State to support him as a pauper. He should not be allowed to destroy the child mentally, physically and morally, as is the usual result when children are permitted to work in factories at such tender ages. It is far more important that the child should be given an education, and be made a useful citizen, than that the parent eke out a miserable existence through the meager earnings of an infant when the parent can as well or better be supported by the State."

Bernard Shaw says that one of the plainest duties of Society is to pension widows. This principle is well recognized in the institution of alimony. We insist that a man who has married a woman, support her until she has by some misconduct forfeited that claim. Then, by what sort of reasoning can Society shirk this responsibility when the man dies leaving her without estate?

Among their first lessons, children should be taught citizenship—their mutual rights, duties and responsibilities. They should come early and naturally into the habit of practical organization and collective action so that they may be able to assert themselves against professional politicians. Progress is rapid in child culture and protection. Burbank, inspired master of floriculture, would naturally perceive the truth of child culture and affirms environment to be all important. Nathan Strauss, noble Hebrew, recognized the child's right to pure milk. Many others are looking out to provide them fresh air and enjoyment of nature. But from where is the money to come to give the dear innocent ones the wholesome environment which is their right? That brings us to the other side of the question. Why, by the most natural reasoning possible, from the excessive estates left by the rich to their heirs.

A small boy inherits the Field millions, including vast commercial enterprises where thousands are employed. This is a misfortune to the child. There are two weak ends to life, as we now live. The child and the aged need care, and it must come from those in intermediate life who are strong, and able to provide for more than their own personal needs.

There are two conditions of life conducive to vice and crime, excessive wealth and poverty. Why not somewhat level these extremes? I believe in inheritance, but it is the inheritance by one generation of the progress of previous ones; the inheritance, by the weak and helpless child, of the care and protection of sturdy manhood and womanhood; the inheritance by age of enough for support whether or not it has had sufficient acquisitiveness to accumulate and hold on to it.

Elbert Hubbard has said: "So long as men accumulate wealth that their children shall not work, and so long as the rottenness of gentility shall be unperceived, so long will one generation weaken itself by consuming what another has created.

"The use of power to form a Superior Class is the one thing that has wrecked the world and made calamity so long of life. This Superior Class is always a menace, always a curse. Its distinguishing feature is to exclude—it is ossified selfishness.

"The Superior Class is a burden. No nation ever survived it long, none ever can. This volunteer Superior Class has always thought that good is to be gained by avoiding labor; by wearing costly and peculiar clothing; by being carried in a palanquin, by being waited on by servants; by eating and drinking at midnight; by attaining a culture beyond the reach of most; by owning things that only a few can enjoy—these are the ambitions of the self-appointed Superior Class.

"The Superior Class lives by its wits, or on the surplus earned by slaves or men that are dead. When you live on the labor of dead men you are dead yourself. It can never be done away with through violence and revolution. This has been tried again and again. Revolution is a surgical operation that always leaves the roots of the cancer untouched. Another excrescence sprouts, and one Superior Class is exchanged for another.

"No, the desired end can never come through threat and violence—that is where men have stumbled since history began. The millennium will come in this way, men will refuse to enlist as soldiers for any other reason than to protect a threatened invasion of their homes.

"There is no health in idleness, there is no joy in selfishness. The Superior Class is simply a huge mistake—it is to be pitied, not envied, and when our children and our children's children know this, and are willing to do unto others as they would be done by, one generation will then conserve and hold the good that another has gained."

Here is a clear recognition of the important truth so seldom recognized, that the enslavement of the masses comes not from some persons in the oppressing class, but from the innate selfishness and lack of love among the masses. To destroy the aristocrats never brought freedom. As St. Paul states it: "For we wrestle not against flesh and blood but * * * against the rulers of darkness of this world."

What is the community's interest in great estates? They are accumulated (if legally) through the growth of the community in population, wealth or intelligence; perhaps partially through some bright ideas or inventions of their builders. But bright ideas, in a measure, belong to the public. They are the outgrowth of our civilization. The men who give us the greatest thoughts seldom receive much compensation in property. Hence such ideas, when their originators have been duly compensated, naturally revert to the public.

But it may be asked, if the unearned increment of land and franchises are restored to Society through taxation upon an assessment based solely upon those elements of property value, what then is there left to descend from one generation to another?

While assessment may be entirely limited to the concession element of property, yet it will always be impossible to take the whole of concession value through taxation.

But aside from all such interest, there is another kind of property of almost equal extent, which is handed down from generation to generation. This is the great volume of Credit. In the chapter on Credit I try to analyze this form of property. It arises from a legitimate source, but after the lapse of years grows to be a veritable vampire on industry. The Rothschild estate, whose origin was the price of graft and crime of the most diabolical order, has lived and grown fat on extortion and corruption, generation after generation, and still goes on sucking the life blood of many nations.

Credit as a means of exchange is a useful servant of civilization, but its fruit belongs only to him who has earned it by abstention.

Credit which represents the value of goods actually bestowed upon the debtor, is in practical effect a latent title in such capital and entitled to its share of its fruitage.

How much credit is but the awful incubus of debt to those who owe, for which they slave from generation to generation! Millions, billions of debt is saddled upon the producing class by manipulation of legal tender, and through stock jobbing and real estate speculation.

The Israelites recognized in a crude way this debt-slavery, and tried to remedy it through their Jubilee Year law which canceled debt. But such laws cannot distinguish between the true credit and the false.

There is no way apparent except to liquidate it in some measure at the death of the holder through inheritance tax. Many States have a measure of taxation on estates. Men of the greatest business ability endorse it.

The unequivocal declaration of three of America's foremost financiers and men of affairs in favor of a liberal inheritance tax was the salient feature in the recent deliberations of the Civic Federation.

Andrew Carnegie and August Belmont strongly advocated the inheritance tax and so did Melville E. Ingalls.

An income tax, Mr. Carnegie said, "was impossible," but he believed with Mr. Gladstone, "that it made a nation of liars."

As to a graduated inheritance tax, Mr. Carnegie said he advocated that "as the best means of getting something like a better distribution of wealth than we can by any other means."

"The growth of the American public," Mr. Carnegie continued, "that is, the basis of great estates—the public—is the partner in every enterprise where money is made honorably. I say the community fails in its duty, and our legislators fail in their duty, if they do not exact a tremendous share, a progressive share—no idea of ever making his children paupers, no idea of interfering with his right to leave them a competence—of those millions which would really have a different name from property.

"My experience is that I would as soon leave a curse to my boy as the almighty dollar. There are exceptions every now and then, but we must legislate not for exceptions; we must legislate for the general good."

To tax gifts and inheritances is right. It is not burdensome. It is simple in collection. We bring nothing into the world when we come and should take nothing out. Larger fortunes should pay a greater percentage. Indirect heirs should be cut off entirely except by will, so should bequests to religion.

This seems to be a proper form of revenue for Federal purposes, to replace in some measure the iniquitous tariff. But it might be advisable that it should be applied to specific purposes.

The most appropriate use possible is for old age pensions.

Certain forms of property only might be taxed for this purpose—inherited bonds, corporation stocks, mortgages and all inherited evidence of debt seem advisable for national taxes. Real estate and personal property inherited might be left to be taxed locally.

Old age pensions are of the plainest and most positive necessities of civilization.

Why should the soldier of war get a pension and the soldier of peace get none? The most useful citizens often have the least acquisitiveness. What is more pitiful than a white-haired man or woman, after a lifetime in useful work—perhaps in raising a family—helpless and without support? He may have earned vast fortunes of wealth of which all got a benefit, and yet, either through mistaken liberality or lack of good management, arrives at old age penniless. The wants of the old are not many; they should be supplied. Not as a gift, but as something due them. This is done in New Zealand. This means of restoring to society its own is eminently scientific. No other remedy can take its place. As intelligence increases it will be demanded.

How little it would cost for each county to procure a tract of rolling farm land and subdivide it into lots of half an acre or so and erect on each a small, plain, cozy cottage of two or three rooms. Each poor old person in the county could be furnished one of these as their own home for the balance of their lives. The land would, with their own light labor, half support them. The county could furnish such further assistance as was needed. Meeting places and clubs should be furnished to make their hours more pleasant. The average Poorhouse is one of the saddest failures known. A fraction of burdensome inheritances would supply the utmost needs of childhood and age.

CHAPTER V.

Taxation and Compensation.

WHAT *is Government?* It is not a person, society or corporation. In a monarchy it is the king and royalty. In a true democracy it is simply the agent of society. But there is no existing example of true democracy. Various countries with Republican form of government are approaching nearer to a true democracy than ever before in history. But it matters not in its effects whether the will of the people is thwarted by an hereditary royalty, or by some other power, which dictates to and controls the people's agent.

Wherever the people's agent is controlled by another power than the people, the funds placed at its disposal by taxation are largely used for the benefit of this controlling force.

In a monarchy it is diverted to the use of a royal family and its multitude of relations. In a republic it may be diverted to the use of the owners of privilege.

A truly democratic republic is a corporation in which each citizen holds one share of stock, no more, no less. We should each and everyone vote that share, and insist on a large dividend.

There should be no assessment ever needed on this stock. Society has such rich resources, which, should its agents honestly lease or otherwise collect an equitable revenue from them, would pay for many times the benefits that government now affords us.

Government is society's Trustee. The property in the hands of Society's agent is intended only to be used for such purposes as benefit all people. We often hear the expression "taxes for the support of government." This expression betrays an ignorance of the true purpose of government. One would not say that the dues he paid to his lodge, his church, or the premiums he paid to his mutual insurance society, were intended by him for the support of its agents. Another expression of the same persons is "the protection given taxpayers by government."

Protection to what? Against what? Protection against bandits or pirates? Truly government does give this protection, but it takes such a minor part of its revenues that it is foolish to consider such protection as being any considerable part of the purpose of taxation.

If it is meant the protection of certain interests in their system of extortion, we may consider that taxation to them is indeed compensated by "protection."

But what compensation should the taxpayer get under an honest system of government? He should get a direct commercial advantage for every dollar he pays. To paraphrase the old sentimental, though reasonless, Revolutionary battle-cry, we want "no taxation without compensation." "No taxation without compensation" implies the correlative proposition, "compensation to society for all concessions and privileges." This compensation which is due to society in return for the natural and social opportunities conferred upon private persons and concerns, would supply a plenteous fund of revenue. The Saturday Evening Post says:

> "The assessed value of land alone, exclusive of improvements, in the City of New York is greater than the assessed value of all the real estate, improvements included, in the State of Pennsylvania, and nearly twice as great as the value of all the real estate, improvements included, in the State of New York outside of the city. The assessed valuation of land for six square miles of Manhattan in the neighborhood of Central Park is greater than the assessed value of all the real estate in the State of Missouri.

"So says the president of the New York City tax board in his latest report; and we earnestly commend the statement to the consideration of all those persons whether official or lay, who are studying the troublesome subject of taxation.

"The City of New York created every dollar of that enormous value. And, while the city is creating this vast wealth for individuals, it is anxiously seeking money to pay its running expenses. Try to imagine a man who produces a million dollars a week and has to borrow money to buy flour and bacon.

"Various expedients to recover for the people who actually make it, some share of this immense increment have been suggested, and even tentatively practiced, as in levying a graduated percentage tax upon the increase in value between each recorded transfer. In nearly every American city, tax experts toil over schemes—mostly impracticable—to uncover tax-dodging personal property or get a few thousand more out of dog licenses, and will not look at this gold mine of realty increment."

What a farce are most of the present means of taxation! Even the most common *theory* of taxation, if applied in any business but that of government, would be resisted as pure robbery.

This accepted precept is *that each shall pay taxes according to the value of the property owned by him.*

Suppose one had his bill at the hotel rendered on this basis; suppose the grocer, tailor, street car line, the gas company, the coal merchant, charged on this basis. How absurd! What ridiculous consequences!

Why should one pay taxes on the value of his diamonds, stocks, merchandise, live stock, because he lives within the geographical limits of a city, State or other taxing community? Intelligent taxation is a debt for value received. How can one cancel such debt to one community and incur a like one to another community by moving his bed across a boundary line?

Many laws are passed by State legislatures purporting to encourage the growing of fine stock. Yet whenever stock of great value is brought into the State, the owner must pay a tax penalty. A recent press notice gloated over the fact that a fine collection of art had been caught by a new form of assessment. Millionaires, and people of even less wealth, are driven out of cities, where the rate is high, to villages where it is less, by such robbery laws.

The history of taxation would be the basis for the greatest of farce comedies, if it were not of such sad consequences. There have been taxes on cats, dogs, birds.

Most street railway franchises have a license tax on cars, of $25.00 or so. Do strap-hangers ever consider how many cars this may keep out of use?

Taxes on wheeled vehicles have caused great districts to depend on sleds for means of conveyance. Taxes on salt have caused people to become diseased for want of it. Taxes on windows have built thousands of homes with solid walls except for doors. This is indeed a consistent result of ignorant taxation—to wish to shut out all light. One of the most extensive as well as pernicious bases of taxation is that on exchange. Think of striking at the very roots of business with taxation.

The "Iron Duke" paralyzed the trade of the prosperous Netherlands by such a tax. Customs houses are monuments to this most abominable form of taxation. Tariff taxation hinders trade, robs the producers of one country and the consumers of another. It is so uncertain in its results that it breeds public extravagance, even while it is producing panic by piling a great surplus in the treasury. Big bankers fatten on this through free use of such surplus. There is no known certain means of reducing or increasing the amount of revenue under a tariff tax. Lowering the rate often increases the revenue, and raising it often lowers it. No one can approximately predict the amount of revenue. A tariff tax, like most unjust taxation, fosters artificial lines of industry. (Thomas G. Shearman, in his Natural Taxation, has very logically dissected tax systems. His work should be read by every member of a legislative body from United States Congress to district school board.)

It is well recognized that if railroads allow some patrons free or reduced rates they must overcharge others. If this is true of a private corporation, how much more so must it be true of government. If government gives its resources free to some, it is compelled to rob others.

The usual manner of enforcing payment is often as foolish as the basis of tax assessment. In many States property is sold for taxes, but the buyer is given no title, while the poor owner is deprived of his. In some States a discount is allowed for payment previous to a certain day and a penalty is exacted after such day. But in most States there is no such reasonable provision. Millions of dollars are forced from the people's pockets into the hands of treasurers, to be kept by the bankers who back them, free of interest.

John F. Smulski, elected treasurer of Illinois, deserves great praise for refusing to qualify until a law was passed permitting him to loan out the State funds with interest payable to the State. He also insisted that the State should pay the surety company bond premiums to keep the treasurer free from bank domination.

But why should Illinois have from five to eight million dollars at a time in her treasury? Why not distribute its collection throughout the twelve months of the year?

That taxes are neither philanthropy nor charity is tersely stated in the following editorial from the Saturday Evening Post entitled "The Important Taxpayer":

"Somebody has discovered, in a flourishing inland city, that the school board, which disburses a great deal of public money, has no member who owns much property and pays taxes to a considerable amount. Opponents of the administration, therefore, are making what capital they can out of the ancient and naive theory that taxpayers have a proprietary interest in the government. One observes, however, that they are not succeeding as well as they might reasonably have expected to do a dozen years ago, when the statement, that taxpayers were opposed to a certain measure, was regarded as a crushing argument, and "wasting taxpayers' money" was a damning charge against any administration.

"Of course, no administration does or ever did waste taxpayers' money—for the simple reason that, the moment the taxes are paid, the money ceases to be taxpayers' money and becomes the government's money. What the government does with it is no more the business of the taxpayer than of any other citizen. Small taxpayers have the modesty to acknowledge this self-evident truth. But if a man pays a considerable amount in taxes it is often nearly impossible to wean him from the gross and palpable fallacy that he is entitled to especial consideration on the part of the government."

The same theory is held in many churches regarding large contributors. Such contributors give sums of money "to the Lord" and then count themselves controlling stockholders in His church.

Continuing, the Post says:

"Any one who thinks that taxes are a voluntary contribution should attend a session of the board of assessors for his locality. In many cities, saloons pay more taxes than any other interest, but are not given proportionate representation on school boards and park commissions.

"We wish speakers and writers on political subjects would drop the bad habit of talking about large taxpayers as though they were entitled to higher regard than other citizens."

The owner of lots should pay the full cost of paving the street in front of them. He gets compensation in increased value. But he should not therefore have his general taxes increased. This is like the story of the landlord raising the rent because the tenant fixed the roof.

License taxes are a crime. The first thing tax reformers should strive for is, that pending the abolition of taxes on production, all taxes on land or franchises should be assessed separately from any improvements, and the taxes at payment be receipted separately. This would bring the matter to people's understanding. It would have another excellent effect. It would promote a more equal assessment. Lot 10 of a block assessed without improvements might look very strange assessed for double that of 9 or 11.

It is often more easy to pay the taxes in a community where they are high than in another where they are low. Taxes are an investment and should pay higher dividends than any other investment if properly assessed and expended. Government investments should constantly but carefully increase. They can often be made very profitable. The profits of good sewers, parks, schools, clean streets and such things are immense.

The object of government is happiness of the people, all the people, not a favored few. Each child should have the care which childhood needs, should have education, entertainment and music. Each adult should have a chance to earn a comfortable subsistence with some degree of luxury.

None should acquire private title to anything more than what is the "natural reward" for production. All else belongs to public and is an ample fund of taxes. In "The World To-day," Sir Henry Campbell-Bannerman says:

> "It may accurately be said that there is practically but one great impediment in the way of a sweeping improvement which would elevate the physical and moral welfare of the people. This is the interest, and the overdue regard to the interest, of the landowner, and the political and social influence that he and his class can exercise.
>
> "Let the value of land be assessed independently of the buildings upon it, and upon such valuation let contributions be made to those public services which create the value. What is our rating system? It is a tax upon industry and labor, upon enterprise, upon improvements; it is a tax which is the direct cause of much of the suffering and overcrowding in the towns."

The wretchedness of the city slum is partly the result of the present system of tax robbery. The slum tenant is taxed on nearly all he eats and wears and then pays the high price which natural limitations of space near the center demands. But he does not pay this to society, whose it rightly is, but to his landlord. Each addition to population makes the value of land greater. What makes this value the following paragraph from the St. Louis Post-Dispatch, entitled "The Money Value of Men," indicates:

"With immigration from Europe now on the million-a-year basis, Prescott F. Hall has published a volume intended to show its advantages and disadvantages to the country. In dealing with its advantages, he estimates each immigrant as worth at least a thousand dollars, so that a single year's arrivals from Europe are supposed to add a thousand million dollars to the wealth of the country. One statement offered in support of this view is that it 'costs a thousand dollars to rear a child to the age of 14.' While this does not seem to be necessarily or even generally true, it is probable that the average 'value' of any man who can consume enough to live on and pay for it by his own work, is placed low at a thousand dollars."

To whom are these immigrants worth $1,000 each? To owners of concessions, of course. The immigrants go to make the slums more crowded, hence to make rents and franchises more valuable. But I doubt if the city slum is more cheerless than doleful poverty in the country on land near or beyond "the marginal limit" of cultivation (that is so poor or far from civilization no one wants it), or on better farms giving all the cream of their crops for rent.

People do not leave farms without cause. Nor do they go to the big city without some shadow of reason. Edward Everett Hale says:

"It is easy to make faces as we meet the young countryman with his wife when they come from Podunk to New York and to ask them what they have come for; but it is foolish to suppose that the congestion of cities results from their inexperience or ignorance. There are some important people who are working with them in this matter of crowding the towns.

First of all, there is the large real estate interests in every city. It needs no organization; it is an organization already. The man whose grandmother owned an orchard of old apple trees in the heart of Boston or New York is glad that his grandmother owned that orchard. He is glad that he owns the square feet or square inches of that orchard to-day. He knows as well as I know that those square inches are worth a great deal more in money than they were worth a hundred years ago. Now that man does not mean to diminish the current of population which falls into Boston or New York. He means to keep up the price of real estate in those cities if he can. And when you address him a civil note, asking him if he will not attend a meeting of gentlemen who wish to promote emigration to Idaho, it is almost certain that that man will have another engagement.

"Again, it is to be observed that great cities have of necessity their own spokesmen—shall one say their own drummers?—at work for them even unconsciously. Every issue of any newspaper of the week-day or a Sunday has its announcements of the attractions of a great city."

This real estate interest crowds every industry possible into the city and close to the center.

Why do the newspapers drum for this interest, and in some cases, particularly in the newer cities, fill the people with shameful lies? Because this interest does lots of advertising. Why the need to go thirty stories above ground in New York and six under, when in an afternoon's auto ride one can go to the haunts of wild bear and turkeys?

This *land interest* knowingly and intentionally takes the people's earnings. Unintentionally they lure them into places of the greatest hardship.

The time is ripe for a society to expose fake booms and to discourage the congestion in city centers. This may be done by taxing these congested centers; by regulating the running of cars so they will not all reach one certain street crossing, but a number some distance apart; by creating a central zone where factories may not be operated, or if operated, put a heavy license tax on them. Limit the height of buildings. It does no good to improve transportation if the number of people going to one center correspondingly increases. Scatter employment and you will scatter employes.

Concession taxation, that is limiting current levies of taxes to those values which are naturally the property of the community, is but reclaiming what is the community's own. It will take the burden from *wealth,* from *capital,* from industry. It will restore to the providers of capital what is now being taken wrongly by government. It will discourage holding of concessions for the purpose of *precluding* their use, hence will partially restore to producers their *Natural Reward,* to capital its rightful increase, and to labor its just wage.

Such taxation would be but the compensation, or recompense, due to society from the payer. Society has no more just right than any other corporation or organization to forcibly take from anyone, without having some rational basis of claim; without having previously contributed to such individual an equivalent.

The simple fact of the extent of one's riches is no indication whatever of the extent of society's dues from him.

Australasia is far in advance of America in its manner of arriving at just assessment values. One of their simple provisions is to make the land liable to public purchase at a certain per cent. above its assessment for taxes.

CHAPTER VI.

QUANTITIVE TITLE RESTRICTION.

PRESIDENT ROOSEVELT, among others, has pointed out the dangers to society from unlimited holdings of property by an individual or corporation. What is the reasonable quantity which one may hold? This is hard to establish, but scarcely more so than to assess the just value of property for taxation.

Let us start out gradually as Australia has done. Break up the most extensive estates. What has been the curse of Ireland, or California? Each are blessed with a climate fit for Paradise, and soil of surprising wealth; especially California, such diversity in all things does she possess. The highest mountain in the States, in the same county with land 600 feet below sea-level, vast stores of valuable minerals, some almost unknown elsewhere; trees compared with which all others are shrubs. But as Ireland is cursed by English landlords, California is cursed by Spanish land grants, now owned by all nationalities.

One old Spaniard was recently offered $750,000 for one grant of a thousand acres which perhaps does not now, for want of care, produce a hundred dollars worth per year. Yet he plays dog in the manger and asks a million which, if offered, he should perhaps refuse. There are hundreds of tracts the same; some tens of thousands of acres in extent. Vast tracts have been acquired in many States by lumber companies.

"The chairman of the board of directors of the United States Steel Corporation, says the Review of Reviews, is virtually the ruler of an empire owning more land than Massachusetts, New Hampshire, and Vermont combined; supporting more people than inhabit Nebraska; employing more men than fought at

Gettysburg; sailing a larger navy than that of Italy; making more steel than Germany; gathering in a larger revenue than the United States, and representing more capital than all the banks in the city of New York.

Has a man a right to own all he can get? The question of unreasonable fortunes is a vital one to government. They give extraordinary power. Power is government. Conflict arises between the private power and the constituted authority which results in the triumph of the private power if not patriotically checked.

Frederick Upham Adams in The Cosmopolitan, says:

"A marked tendency has already developed on the part of our "leisure class," resulting in the purchase of vast tracts of land which are withdrawn from settlement, agriculture or lumbering, and which are set aside for game preserves. Thousands of square miles of the Adirondacks are already thus reserved. This segregation of valuable tracts of land by the nobility and aristocracy is one of the curses which afflict Germany, Austria, Russia and even Great Britain. The idle heir of a billionaire could, if he chose, purchase such States as Idaho, Nevada, Arizona, or New Mexico, and convert one or all of them into private pleasure grounds.

"There would be nothing inherently vicious in such a proceeding. He could "get rid of his money" by hiring an army of men to prepare golf courses a thousand miles in extent; he could boulevard the Rocky Mountains for the exclusive use of his automobiles and for those of his friends, and he could do with it as one does with any other piece of private property.

"The total assessed valuation of the States of Idaho, Arizona, Nevada and New Mexico, according to the latest statistics available, is $184,379,167, and the beautiful State of Idaho is listed at a trifle more than fifty millions. Such an investment would not bother the sportive heir of a billionaire. For less than one-quarter of his patrimony he could purchase, and have the sole use of, one-seventh of the area of the United States, subject only to the exactions of the federal and common law.

Should he be permitted to do this? It will not avail the individualist to plead that no person will be so foolish as to attempt such a step. If a man can purchase a range of mountains and use them to look at or hunt in, who shall prevent him from adding the adjoining counties to his playground? The individualist must answer in the affirmative. Can he hold a quarter of a State, half a State, all of a State or several States? The individualist must affirm that there can be no limit set to his holdings. If he makes any other answer the whole fabric of his theory falls to the ground.

"The moment a man declares his belief that the government should have the power to limit the accumulation of wealth, or to interfere with its investment or expenditure, that moment he has arrayed himself against the "freedom of contract," and has joined the ranks of those who demand radical changes in institutions which have existed for centuries. If an individual has the right to own or control the great transportation lines which connect the Atlantic with the Pacific, why do you challenge his right to purchase the thinly populated empire contained in such States as Idaho, Arizona, Nevada and New Mexico? As an individualist you assert that the national government has no right to interfere with the private management of two hundred thousand miles of railway; what concern is it of yours what our young billionaire does with four hundred and twenty thousand square miles of territory admirably adapted for a hunting and fishing preserve? How are you to prevent him from buying it; how are you to regulate his use of it; how are you to take it from him?"

The most obvious remedies for too great an accumulation of wealth in one person are the application of the State's right of Eminent Domain and a graduated tax after so much is acquired. It should at least seem no hardship to expect the great magnates of property to pay a higher percentage than others. We might compensate for such increase of tax rate on the very rich by remitting all tax to the very poor owners of very humble homes. We might begin by limiting the quantity of land any person might own as is proposed in Oklahoma. Alien ownership of land in Oklahoma is prohibited, excessive land ownership by Oklahomans discouraged, and charters to land companies are to be denied under the terms of a proposed constitutional proposition. After denying to non-residents the right to own land in

Oklahoma, the proposition requires the Legislature to provide that those who may inherit land in Oklahoma shall relinquish title within a reasonable time. Corporations desiring to buy, sell or speculate in lands, or act as the agents for other corporations or persons, shall be denied a charter under the terms of the provision.

Extensive ownership of lands by Americans is discouraged by sections of the proposition, which provides for the levying of additional taxes on persons having land above a certain amount. Those persons having more than 2,000 acres will be required to pay the following additional tax in excess: Above 2,000 acres, 2 per cent.; above 3,000 acres, 5 per cent.; above 10,000 acres, 25 per cent.; above 20,000 acres, 50 per cent., and above 30,000 acres, 100 per cent.

Another section of the proposition provides that banks and loan companies acquiring land by foreclosure of mortgages shall be exempt from this excess taxation for a period not to exceed five years after the foreclosure. The legislature is authorized to provide for a graduated tax upon persons leasing more than 2,000 acres of land.

It is proposed to have Kansas compel the owners of land in excess of the amount necessary for a livelihood to pay an additional tax or license. Edwin Taylor, who owns more than 1,000 acres of the richest land in Kansas, is the father of the proposed legislation. Mr. Taylor says he has more land than he is entitled to; that he is a land monopolist, and that he is willing to divide his property with smaller holders or pay an additional tax. Mr. Taylor is one of the advanced thinkers of the State, besides being one of the State's wealthiest men.

In a speech on the subject before the meeting of the State Horticultural Society, he said:

"There may be a discrepancy between my practice and my precept concerning land. I say in explanation that I have played the land game according to the rules in force, but I believe these rules to be unjust and unwise. For my part, I believe in one wife and one farm for one man, and I would have the laws so changed that Mormonism in either would be impossible.

"Monopoly is one of the words with which the American public is impatient, and the meanest monopoly of all is the monopoly of land, outside of the requirements of a home and a livelihood. It is a monopoly that will not always last. We can choose between its gradual extinction and its going out in strife and distress. If you are disposed to laugh at my dismal prophecy, bear in mind that both the North and the South either laughed or reviled at the earlier abolitionists. I draw no parallel betwen the situations; I merely say that a wrong thing is not a safe thing, and that land monopoly beyond the reasonable limits of a homestead or the basis of a livelihood, whether measured by the golden rule or the good of the State, is wrong."

Land is the most important but not the only monopoly. Patents, copyrights, and some other forms of property might well be restricted.

The power given by copyright or patent need not be unlimited. It need not require a very intricate law to compel the holder to produce his works at reasonable prices. Their property in such things might be limited to a certain percentage on their selling price as customs are collected *ad valorem.* Anyone might then produce such things by paying this royalty. But until the grosser evils of land laws and franchises are remedied we need not worry with copyright and patent laws.

There is no reason why unwieldy estates should not be broken up and recovered to society to be equitably diffused among its members, and the most rational way to begin is with graduated taxation; equally as effective, however, is the assertion of the State's right of Eminent Domain as Australasian countries have done.

* * * *

The foregoing means of reclamation are consistent with the basic scientific principles of right. They admit of being practically put into effect, therefore every lover of humanity should inform himself about them and work for their adoption.

I appeal to you, communistic socialists, to be reasonable, for you cannot have a tree before you have a bush. If ever you attain your ideal it must be brought about gradually.

I appeal to you individualists, you who believe in Absolutism in title, I warn you against the rising discontent. If you do not consent to justice by means legal and orderly, take care lest this discontent, driven to desperation, break forth in anarchy. For men more easily learn the injustice from which they suffer than they do the remedy therefor.

PART SIX.

Finance.

CHAPTER I.

Value-Poise.

IN the chapter on "Value" the distinction between "Exchange-Value" and "Utility" and "Lack-Value" are set out. In considering exchange-value, market, or money-prices, we must take care not to try to measure it by human endurance, for it is this that makes so much jumble of the subject.

Is it not obvious that as the sum of wealth, the volume of commodities and conveniences increase, that the endurance, toil, suffering, or labor-cost, constantly grows less and less?

As hours of labor are shortened and conditions of labor made more tolerable, the output per worker increases in proportion. This is especially so when we take the sum of output to humanity as a whole, and not simply the returns to laborers; for the number who have leisure is rapidly increasing.

Exchange-value is purely a comparison of market prices; not a comparison of either the utility, the cost in labor or the privation it would cause for one to be compelled to do without the various things.

This exchange value of things is subject to very simple laws, loosely expressed as the "laws of supply and demand." More exactly stated, these laws are as follows:

Such supply of things consists only of the *available* supply—"what is on the market," "for sale" in a competitive way. A suppressed store or deposit of natural or made wealth is not part of the supply. This refers more, however, to unproduced wealth, as produced wealth is seldom suppressed in large quantities.

Stocks of wheat, cotton, etc., stored in warehouses to "bull" the market, are likely to affect the market the same as though offered for sale, where there is fear that they may be suddenly offered. But unmined ore, unplowed fields, etc., do not compete.

Only that demand affects the market which is backed by purchasing power; which is seeking exchange. Suppose you were located on an isolated island and had a thousand tons of sugar. What would be its value to you? Obviously what the inhabitants would and could give you in exchange for it, which might be limited to a few very crude articles of food, furs, etc. But could you teach these natives how to fabricate the innumerable commodities of civilization, you would thereby increase their means of buying your sugar and in that degree increase its value. At the same time you would likewise increase the value of their own original staple products by enabling the natives to buy them with such newly evolved wealth. The starving peasant with nothing to offer for bread does not constitute *demand* for bread.

Demand is only made effective by having other forms of wealth with which to buy. Desire for things in general is unlimited. Hence, the demand for those things which satisfy a certain desire, is dependent on the total supply of all other things being offered for such satisfaction. But desire is relative as to various commodities.

With unlimited quantities of free supplies, there would be only a minute quantity of *some things* used, while immense quantities of others would be taken. Hundreds of times as much flour would be used as pepper; many times as much cotton as silk. Such we may term the *Natural Demand.* In proportion as people are able to supply this natural demand there is *Effective Demand.* Natural Demand may increase or decrease with change of conditions of life and industry.

The value of the sum total of all wealth may be represented by a circle which always has 360 degrees, no more, no less, though the volume of wealth multiply. The commodity or group of commodities which satisfies a certain desire, as for food, fuel, or money, comprises a segment of so many degrees, minutes or seconds of this circle of supply.

Natural Demand likewise is like a circle, the various needs constituting segments of so many degrees. We might estimate the Natural Demand for food at present as 45° or one-eighth of the total circle of demand. It was formerly much more.

The balance or poise of value resulting from supply and demand may be illustrated by a compound scale as shown on page 229. The upper arm is scaled from 0 to 100. On this arm moves the weight C which stands for the *given commodity* under the consideration as, for example, steel or window glass, or cement. The lower arm has a hinged bearing at one end, E. The other end is suspended from the end of the upper arm. Upon this lower arm moves the weight B which stands for the *total wealth* of the community. Now, obviously, if we move the weight B along the arm towards F we will have to move the weight C up towards 100 if the volumes of the weights remain unchanged.

Now, as we are illustrating value and not gravitation the figures on the upper scale stand for value and where the weight C is supported indicates the value of the commodity being considered.

That is, if the volume of *total wealth* increase one-seventh it would tend to move up the value of steel (for instance), from 70 to 80, or if the *total* volume of *wealth* decrease it will tend to move steel down perhaps to 60.

But the demand for steel may increase from causes other than the general increase of total wealth, it may be from a campaign of advertising and education of the public in new uses for steel.

Now this increased incentive to use steel obviously will cause a greater pressure of *total wealth,* B, upon the supply of steel, C.

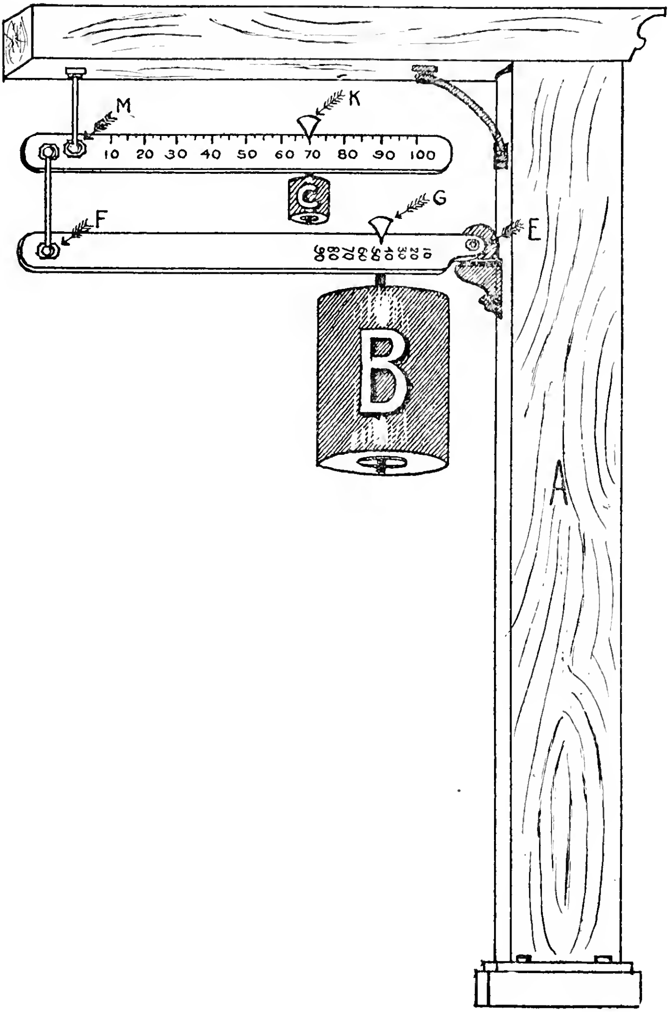
Now, if the special demand for steel cause its value to move up from 35 to 70 we shall have to move the weight B correspondingly to balance it and this will indicate a value decrease in general wealth *only* as measured in steel.

Now these relations are as true between any other commodity and the *total wealth* as they are of steel. The value of money is as truly dependent on its ratio to other wealth, and any special demand for it, caused by fear and the withdrawl of credit, will surely lower the money-value of the *total* of all other *wealth.*

For the increased demand for money will cause people to offer a larger volume for a dollar.

Likewise an increase of the money volume C even though maintaining its nominal value at 100, lowers its real value and increases the value of general wealth B so that it moves up on the scale on the lower arm. Decrease of money volume while not changing its nominal value enhances its real value and lowers all other values as measured in money.

But such lowering of the money-value of things makes them very much harder for the average person to procure.


M
K
10 20 30 40 50 60 70 80 90 100
C
G
F
E
10 20 30 40 50 60 70 80 90
B
A

It is impossible for the total of values to increase or decrease. The value of concessions often increases, occupying a larger segment of the circle with a corresponding decrease in the value of true output, wealth, or *vice versa.* But when both concessions and true wealth increase in *price,* we may know that money has decreased in value. That is, that the volume of money C is greater, and consequently its units have less value, and naturally it takes more dollars to balance other wealth. That has been the case the past few years, when lands, franchises, etc., as well as food, building material and all wealth have gone up in money-measured price. The value of all things cannot change. It would increase the circle to over 360 degrees—an impossibility. The relative segments *only* can change. As prices are counted in dollars, an increase in their number and a lessening of the value of dollars makes an increase of prices—an apparent increase of wealth.

But there may be an artificial temporary demand created by the over-selling of such commodity on contract—selling the market "short," as it is called "on 'change." Commodities such as wheat or the shares of a corporation are often sold on margin for future delivery, greatly in excess of the actual supply, the seller depending on buying below the contracted price to fill the contract. If it becomes known that there is an excess of such selling, the "shorts are squeezed;" that is, those who hold the actual commodity or contracts for it, raise the price and make the shorts pay. Then, after the date of settlement of such contracts, the price is likely to slump.

Just in the same way excessive debt—contracting to deliver money—is in fact "selling the money-market short." After the panic is over the money market slumps and there is for a time demand for but part of the original volume of money.

So we see that neither demand nor supply has any dependable fixity. Demand depends on the whims and fancies of fickle mortals. Supply, which is on the market and active, is likewise dependent on holder's fickle notions and fears of how little or how much demand will pay. Hence we see that there can be no scientific determination of value established; for it is impossible to found anything definite upon fear and selfishness, and such is the basis of exchange value. For selfishness holds out for excessive demands until fear impels the taking of a fraction of reasonable prices.

CHAPTER II.

Currency and Money.

"An article is determined to be money by reason of the performance by it of certain functions without regard to its form or substance."—Appleton's Encyclopedia.

WHAT is money?

Not a species of things of a certain form, weight, color or substance; not a class of things constituted according to certain prescribed rules. Money is rather an idea, or thought, objectified in innumerable forms and substances. What is a noun? Not a tree or a man or a house. No, a noun is an idea. "Tree," "man," or "house" may, when expressing a different kind of an idea, be a verb. What is a preposition? A word being used to show a certain relation between two ideas. Now money is that idea, thought or conception, however expressed, which performs a certain function or functions.

The identification of many things must be by their functions. What is a ferry? Not essentially a large boat or a small one, a long or a short one, a steam, man-power, gasoline or sail boat. But it is a boat which crosses a stretch of water at stated intervals for the transfer of freight or passengers. While it is engaged in performing this function of transfer it is a ferry. Now what is the function of money? It has two, one is to be currency, the other to pay debts. We will notice first that as currency.

Whatever is accepted as a medium of exchange is currency.

There are three distinct relations in which owners view property. First, that of seller. His relation is such that he must take the pains to find a buyer whom it suits. This is true just the same whether he be producer or distributor. The last relation is that of buyer. The buyer has been at the pains to find property to suit. Property is of more utility in his hands. This is true whether he be the final user, or in turn is to become a seller. The *medium* relation is that of currency. The possessor of currency stands midway between buyer and seller.

To illustrate: A seller has shoes to sell. Their price is $3.50, but to get it he must be to the pains of informing buyers that he has them, and must by selecting, fitting, etc., suit the buyer. He who has bought new shoes has been to the trouble to visit a store to select the appropriate style, etc., and to get fitted. He tells you his shoes are worth $3.50. Now let us compare those $3.50 shoes in the dealer's hands, in the wearer's hands, and Three Dollars and a half. Three dollars and fifty cents is the value in each case from a casual view. Yet the wearer would not like to take the currency for them, and the seller should dislike to give it. In a real merit or utility sense, the shoes are worth less than the currency in the hands of the seller, but more than the currency in the possession of the wearer. The buyer of the shoes may have sold potatoes to get the currency. The currency is worth more than his potatoes were to him. Goods bought are worth their currency cost, plus the trouble of buying. Currency is worth the goods sold plus the trouble of selling. This intermediate esteem of currency causes it to circulate, to become current. All money is currency, but all currency is not money.

One of the functions of money then is to flow forward as goods flow backward from seller to buyer; to complete the circuit or current of trade, to be currency.

The other function is to pay debts. The seller delivers his goods to the buyer upon a promise to pay in the future. So much money is stipulated to be paid. Now manifestly, to be a just payer of debts, it must have an unchanging value.

For if it is to pay for goods with a certain market value or purchasing power at the time of sale, the payment should have the same purchasing power at maturity, no more, no less. It must always be supposed, too, that aside from the real payment, interest is given as a consideration for waiting. Hence, there arises an office in a "payer of debts" known as a measure of value.

Money is made a payer of debts *by a law* which stipulates that it *shall* be taken for all debts, or be a legal tender. That is, that the tender of the stipulated money is made a legal fulfillment of the obligation. This is the radical distinction between "lawful money" and such things as checks and drafts, which are usually accepted as money, but may be refused *at the option* of the creditor. Nevertheless, such checks and drafts *are currency* to the extent that they are taken, to the extent that they are *Current*. This, then, is the radical point that is commonly overlooked. That it is compulsory for the creditor to accept *money* in payment, but not other currency.

The reason that this point is so extremely important is this: because the whole volume of *Currency*, and not simply the volume of *legal tender money*, is what *currently* or *normally* controls the *value* of *currency*, including legal tender money.

I would like to impress upon the reader's mind, for it is all important to any intelligent consideration of money, that the total volume of *currency* controls the current value or money price of things, but in critical times this volume is reduced to the fund of legal tender money.

It would be as reasonable to think that the anthracite coal supply alone determines the price of all *fuel* in Chicago or St. Louis, as to think that *some part* of the volume of money, viz.: the fund of gold or even the total fund of legal tender money, determines the value of money.

The fact is that the whole volume of currency including checks and drafts is what influences the value of money, the value of a dollar.

We hear it said: "The increased supply of gold has cheapened money, and by decreasing its purchasing power, has raised prices of other property, but we need more currency." It would be quite as reasonable to say: "The production of petroleum has so cheapened it that coal cannot be produced to compete with it; what we need is more fuel."

The value of currency at a given date is dependent on the volume of currency at that date. The *whole volume of our currency* then, and not *legal tender* money *alone,* is the measure of value. Here is the cause of all our financial troubles. Values are measured by the whole volume of currency, while debts are payable with but one kind of currency—legal tender money.

In good times, checks and drafts based on credit constitute the larger part of currency; real money less than half. Debts are contracted on this basis of value. When depression comes, this "optional currency" disappears, leaving only legal tender money on which to base values with which debts are paid.

A perfect money will have a constant unchanging value. A perfect system of money will reduce the percentage of optional currency to the smallest fraction possible. It will dispense with nearly all currency but what is legal tender.

Any money which is not a real measure of value is dishonest money whether it be too cheap or too dear.

No money based on a metal can honestly measure value.

No material thing has intrinsic value. It has only value on account of its relation to general desire for it, and the hindrance of its supply. Both these conditions are ever changing.

We can at a given time compare the value of everything to one thing. That would be making it the standard of comparison. Suppose we compare the market price or purchasing power of all things with silver. Having once done this, say on the 1st day of January, 1907, it is not essential to care further about the metal silver, but only the ratio thus deduced. We might on that date arbitrarily declare that helium, a metal which exists in the sun and not on earth, was worth as much per ounce as silver. We should then have the following table of value:

1 cow	30 oz. silver;	30 oz. helium.
1 horse	60 oz. silver;	60 oz. helium.
1 ton coal	10 oz. silver;	10 oz. helium.
1 ton iron	20 oz. silver;	20 oz. helium.
1 bu. wheat	1 oz. silver;	1 oz. helium.
1 bu. potatoes	½ oz. silver;	½ oz. helium.
1 lb. butter	½ oz. silver;	½ oz. helium.

From the above we may see that a cow is worth 30 bushels of wheat, 60 pounds of butter, 3 tons of coal. A ton of iron is worth 2 tons of coal, 40 pounds of butter, etc. Now it is apparent that we may make the comparison just as completely and more simply if we drop either silver or helium from the table. We may also simplify it by dropping the word "ounce." We now have the following:

1 cow = 30 helium.
1 horse = 60 helium.
1 ton coal = 10 helium.
1 ton iron = 20 helium.
and so on.

Now we have 1 helium as our standard of value.

One looks at a market report. He sees coal has dropped to 6 heliums, iron has advanced to 25 heliums, butter to 1 helium. Now what cares he whether helium exists at all, even in the sun. He knows that he can now buy 1 ton of coal with 6 pounds of butter. That to pay the debt of 15 heliums contracted he must give 15 pounds of butter.

This is almost as true of a gold standard. A gold standard is a fiction. We care nothing about the existence of gold. It is likewise purely fictitious that money is based on it. At the start it may have been, but we have now only the name, not the substance, as a basis.

Jevons, "Money and Exchange," Chapter VIII says:

"Those who use coins in ordinary business need never inquire how much metal they contain. Probably not one person in two thousand in this kingdom knows, or need know, that a sovereign should contain 123.27447 grains of standard gold. Money is made to *go*. People want coin, not to keep in their own pockets, but to pass it off into their neighbors' pockets."

Value is not material, but mental.

It is just as impossible to conceive of physical substance as a measure of value as it is to conceive of iron or wood having a certain speed. The hind wheel of a carriage has the same speed as the front. Gold being legally exchangeable has the same value as money. Speed is not a quality of a material, neither does it produce a permanent effect on it. It is a relation between it and something else.

The attempt to regulate the value of money by basing it on gold is a failure. It would only be possible to base it on the natural, changing-commodity value of gold by continuously redeeming it all every day or week. The value of gold is kept the same as money because the gold may be converted into money, and not because all money may be converted into gold; that were impossible, for money is many times the volume of gold.

To think money tributary to gold, or its value based on gold, is as far removed from scientific fact as to think the sun tributary to the earth, and that it revolves around the earth daily. This is the basic error of popular financial thought. One may expect any sort of theories to be built upon such a basis.

As a sample, it is asserted that this supposed basis, gold, is increasing so rapidly as to depreciate its value and dislocate prices, and then the same person in the same breath will allege a shortage or scarcity of currency.

Money is mistakenly said by some to be a means of storing value. Were a ferry taken for the storage of coal, should it continue to be a ferry?

While coin or bills are in hoarding they are not money. Money must be current. Standing water does not turn a wheel, neither is it a function of money to be hoarded.

Cars are to move freight. Railroads must, indeed, provide a greater number on account of their being at times converted into storage places by shippers. Many means are taken to prevent this; demurrage is charged of so much for each day they are held. Yet at times we witness the distressing famines in coal and other things, resulting from cars being idle on sidings instead of performing their proper function.

Now, just as a ferry may be constituted of almost anything that will float, however imperfect, so, many things may for a time assume the office of money; but while so acting they must cease to perform their previous function. A yacht may make a fine ferry, but it may not be used for a pleasure cruise without interrupting this use.

There is no standard, naturally or physically evolved, that may be taken as a model or basis for money any more than there are natural ferries.

In *Ideal Money* may in progress of time be perfected, but a perfect conception of ideal money is impossible while an inverted conception of business is held. When the true purpose of industry is seen to be to confer a blessing upon the user and not primarily to give profit or pay to the producer, then the true idea of money will be understood. Money will be then seen to be a certificate indicating that the holder has contributed so much toward the sum of human happiness, and he will be given credit by society in such an amount on her obligations against him.

A log may be made to answer for a ferry in some degree. Tobacco has served some of the purposes of money. But money is by the nature of its functions an artificial establishment.

Credit is transmuted into money, but while so acting it truly ceases to be credit. Money cannot be credit; it must be *cash*.

What change or transformation must be made in credit to cause it to act as money?

It must be changed from promise into fulfillment. Credit is a *promise* to pay. Money *is* "pay;" its very essence consists in "pay." A promise to pay implies future. A owes B $1,000, due in a year, yet B may be destitute during this year notwithstanding A's promise is good. Credit to be changed to money must be divested of futurity, even of promise. It must not agree to pay, *but pay*. The form of printing has little to do with the nature or function of what passes current and so constitutes money. A currency note may read that the maker, whether bank or government, "promises to pay," but this is not read nor considered by takers any more than its series number. It becomes money only through its being *sought*, to be *again paid* to seller or creditor. Whenever money is *sought* that it may be collected, or that its *metal* may be used or hoarded, it ceases to be money.

How, then, is credit transformed into money? By some law or private arrangement or common consent, which causes a certain class of it to be sought by all.

A usual method is to make it a legal tender for debts; then B seeks it because C seeks it because D seeks it to pay A, and A seeks it because B seeks it. It performs a circuit because there is attraction at some point ahead of it in the circuit. Exchanging goods for money is not barter, for the reason that money is a *"medium relation"* of property. But credit which has general acceptance in payment for goods, acquires this relation until liquidated.

Suppose you wish to use cloth and have a stock of potatoes which you do not wish to use. You will not trade your potatoes for apples unless you get a greater market value of apples, for it will be as difficult to get cloth with apples as with potatoes. Neither will you trade your potatoes for a note due in a year, however good, unless you get it at a discount or put in potatoes above the market price; for to get cloth with it, it must be discounted. But you will trade your potatoes for money, because money has a value equal to your potatoes, plus the trouble to sell them. And you know it has a value to the cloth-owner equal to the market value of cloth, plus the trouble of selling, even while it has a value to you equal to that of the cloth, less the trouble of buying.

Notes (as credit) have no such value. No one wishes a note if he may get what it calls for instead. He will only take it to get the interest promised.

Suppose a stranger in Chicago has the note of a New York millionaire with the best of credit for $1,000 due on demand without interest. Will he not have to discount it to get the money at once? No bank will cash it in full without some consideration. It is only a piece of property surely worth $1,000 in New York. But it takes time to collect it.

A New York Bank Currency note is taken by any bank from any one. There is no thought of being obliged to collect it. It is not simply worth $1,000 but *is* $1,000, not only in New York but in Chicago or San Francisco *now*.

Money is positive wealth; credit is not wealth at all because it is a negation. Money seeks a seller, credit a payer. Money is wealth because it is a means of exchange or use, just as a telephone is by being a means of communication. As electricity embraces less power than the steam which generated it and more power than it is possible to apply to ultimate use, but is yet invaluable because so readily converted to any purposes desired, even so money, though of less value than the property by which we acquire it, is indispensably useful because it may be readily converted into the multiform things we desire.

Credit involves a Debit. There is no debit to money. The following analogy illustrates this: Credit is like a vacuum seeking to consume or swallow a certain quantity of matter. It is a minus quantity. Money is like a chemical, sulphur, for instance. Sulphur is a true element, a positive element. It is obtained by inducing another element such as calcium to part with it, which is done at a certain cost. Many elements having a "desire" or affinity for sulphur will give up the substance they hold and take the sulphur instead. Sulphur is not a minus quantity. Its positive action on the element causes it to release the desired substance. It is then recovered and the process repeated. This use of sulphur is very extensive in the arts. Sulphur is a chemical medium of exchange.

Money has a greater affinity with sellers, and less with buyers, than have goods. This is why it circulates. Money depends for its value on the limitation of its supply. Credit depends for its value on payment. People look to the payee for the value of credit; to the seller and creditor for the value of money. Paying credit destroys it. Money is not lessened by being paid over. The purchasing power of money is increased with its decrease in volume, but its *debt-paying* power is not increased.

Credit as credit will not be sought without it bear interest. As money it must not bear interest, else the interest will become an attraction to draw it aside from its current, and cause it to be hoarded. A note of one bank to another is an active debt. But its issue of "money notes" is not a debt as long as it continues to circulate. Holders of such notes do not seek the bank for their value, but sellers, creditors and tax collectors.

Some one has proposed to allow the whole volume of credit to circulate, but only a limited quantity *will* circulate. The supply must be so limited that money seekers' demand for it will be so strong as to make up for lack of interest. Simple credit due in a year will only be taken at a discount of 2, 4 or 6%. If due on demand it will be presented at once for cancellation as are checks. But with legal-tender power to make it money, it may never be presented. This is in a measure fixed money, the same pieces staying in circulation some time. Checks act as money, but checks are very transitory, they are canceled within an hour, or a day, or a week. Perhaps their volume may be twice as much to-morrow as to-day, or only half as much.

We need a certain dependable *volume* of "fixed" money. Why? Because transitory money has a tendency to suddenly disappear and cause disaster.

The value of bank-checking, based on deposits, depending on loans, is questionable. A great volume of money of any kind is not especially desirable. The desirable thing is steadiness of value. "Fixed" money should be permanently and definitely fixed. The quantity should be wisely and unselfishly controlled so as to insure constant value.

The value of money is inverse to the ratio of its volume with the demand for it.

There are many theories about this ratio. Mill says its value is inverse, with the ratio of its volume, to the volume of trade. This is commonly accepted by economists as the correct statement of the basis of money's value, but this relates solely to its "present-competitive-value" or "currency-value." The most important value of money to be controlled is its *future* or *speculative* value.

But even the *currency* value of money is not its ratio to the "volume of trade," if by that is meant the total volume of exchanges; for the volume of exchanges may be increased or multiplied without regard to the volume of present wealth or present property. The "volume of exchanges" may be increased, or even multiplied, by exchanging evidences of debt. ·On the other hand, the *facility* of exchange may be much greater at one time than another, enabling exchanges to be made much more rapidly; hence, in greatly increased volume with the same amount of money in a given period. A dollar *moving,* or changing hands more rapidly, transfers more goods a day or week, just as does a car moving more rapidly.

Let us look at this proposition from an individual standpoint. How much money will a man commonly have on hand? Obviously on the average, he will have an amount in proportion to his assets, and not in proportion to the amount that passes through his hands. Hence, with increase of wealth among the individuals of the community, that is among the multitude, the average people, there is a tendency to keep more money on hand. So the demand is increased. But this tendency continues only until the individual reaches a certain degree of affluence after which he begins to depend largely on his personal accounts and checks. This class is a minority, however, whose fortunes consist less of real wealth than of credits or concessions.

Now this is not only true of money, but of any commodity. People have more carpets or more books or glass in proportion to the increase of wealth. Hence, increase of wealth increases the "currency value" of money, if its volume remains the same. Increase of its volume decreases its currency value, unless there is general increase of wealth.

From this we may deduce the following law of the volume of money: *The volume of money should be in one continuing proportion to the real Wealth of the community.*

But currency's speculative value is what makes the big demand. The present real value of wheat may be 60 cents, yet by excessive sales on futures the "shorts" may be made to pay 75 cents. The "short" selling of money—debt—is many times that of any other species of thing. Everyone who gives his "promise to pay" is selling money for future delivery. Mill neglects to take into consideration this demand—the use which causes the most desperate demand for money, that of paying debts.

Now, what is debt?

It is a contract to deliver a certain quantity of a certain species of property. Contracts are continually made to deliver so many bushels of wheat, corn or oats, so many shares of a certain corporation's stock on a certain future day. It quite commonly happens that these contracts to deliver, taken in the aggregate, exceed all expectations, and when those who make them seek to fulfill their obligation they find the market thronged with others trying also to get the same things. The sellers are said to be "short" on the market. This competition for a particular commodity, say wheat, is not to get it to grind, to be eaten, but to fill these contracts. In common parlance the wheat market is "bulled" or overcontracted. Thus prices may be jumped 50% or more above what physical conditions warrant.

I know of no market, nor any use for buckeyes, the seed of the beautiful tree scattered through the woods of the Mississippi Valley. They fall off the tree and rot. It would be no trouble for farmers in many localities to pick up a bushel of them. They could easily afford to do it for twenty-five cents. But suppose a market gambler should, in the summer quietly contract for several million bushels of buckeyes at fifty cents. It matters not whether he had the least idea of using them. He could easily make contracts with a farmer in any district where they are common, to deliver fifty to a hundred bushels, as each would think he could go out and pick them up without trouble; but when in the fall he encountered dozens of others also after them, he would hunt up the man he had contracted with and try to substitute apples, bushel for bushel. If he could not, he would offer two bushels of apples for one, then five or ten bushels of apples or potatoes or wheat, or ten dollars in money for every bushel of buckeyes he had agreed to deliver for half a dollar. He would now be at the mercy of his creditor, the buyer, or of those who might have buckeyes.

Likewise is money of final payment, that which is contracted to be delivered when we promise to pay "dollars." Nothing but legal tender will do. We cannot tell how much others have contracted to deliver at the same time, but we may be sure it is many times the total amount of legal tender in existence.

Now, if all these deliveries are quietly made, and each of the creditors pay out again what is delivered without delay, and it is passed on to fulfill other contracts, no harm comes; but if the creditors foolishly or maliciously lock it up for a month or a year in a safe deposit box, we are at the mercy of our creditors.

Here, then, is the vital factor in the value of money.

The value of money is no more based on gold than the value of cloth is based on the production of silk. The demand for silk depends on its use for cloth. It belongs to the cloth group. People desire cloth fabrics for many purposes. Cloth of cotton, wool, linen or many other fibres may be substituted for silk. The "group" is what desire seeks. The desire for money has no relation to any material whatever, but to a group of entities however constituted that will be accepted by others.

Now this acceptance is of two classes, voluntary and compulsory. This is the vital point so often overlooked. Whatever is voluntarily accepted is *currency*. Checks, drafts and various other forms of promise are usually accepted voluntarily and act as currency. But the other class —the only class which is money of contract—compulsory money, money of last resort, must be made a legal tender by law. This is the only part of the volume of currency which creditors can be made to take in fulfillment of the enormous volumes of debt, of contracts for future delivery of money, periodically made in such tremendous volumes.

Were it not for debts for payments contracted to be made in the future, we could well leave the volume of money to regulate itself. It would then do so automatically, for when the volume became proportionately too large as compared with demand, its value per unit would be less, and *vice versa.*

Nothing is honest money that can be retired or diverted from the debt-paying supply in critical times. The supply of currency should as nearly as possible consist wholly of legal tender. Redeemable, or retirable notes, changeable volumes of checking accounts are all alike dangerous.

The "banker" economists ridicule the words "legal tender," yet legal tender is a vital element of money. Checks and drafts are not legal tender. They are but "half money." Legal tender may be termed "whole money," because it has the whole function of money, viz.: currency and debt-paying power.

Checks cannot be made to pay debts without the consent of the creditor. Moreover checks may be issued in excess of banks *actual legal tender holdings* only as borrowers' deposit notes. Debts under our present system increase with increase of trade. But when credit is withdrawn, loans cancelled, and the power of issuing checks reduced to the volume of actual legal tender, and legal tender even more greatly reduced by the retiring of bank issues, we are then left ruinously short of currency to conduct business with or money to pay debts. Credit indeed responds to the usual trade demands of currency, but not to the crisis debt demands. Even coin is then hoarded.

It is then plainly desirable that a much larger share of money be money of last resort, legal tender, which cannot be redeemed or canceled; and a much smaller share "half-money."

Credit is not an unmixed good. Any credit which is fictitious, which is not for real productive capital, is an evil and should be discouraged. No artificial encouragement should be given to private banks of deposit. Government should maintain banks in connection with the Postoffice, where deposits could be made and checked upon. Bank-note money is a crime, for it can be put in circulation only by being borrowed by someone. The banks still keep a "string on it." Bank loans should be greatly reduced by requiring heavy reserves. This reduction of currency by consequent reduction of checking, should be replaced by the direct government issue of "whole money."

Money has ever and universally been issued according to convenience or accident. Usually large volumes have been issued by both banks and governments to get the profits or benefits of credit without paying interest; to dishonestly get something for nothing, for it is as dishonest to try to steal interest as principal. Franklin protested against such issue by the Colony of Pennsylvania, when, while their issue was stable, it was proposed to increase it to raise an Indian war fund. Franklin insisted on the issue of bonds whose interest rate should cause them to be hoarded and thus prevent them from flooding the currency market. During the Civil War some blundering money-issuing was done by the issue of "interest-bearing money." Had only the needed currency, increase, if any, been made, and then credit had been obtained by *interest-bearing bonds,* the money and bonds should both have maintained par with gold.

Our present currency is entirely founded on the false basis of *credit.*

The gold standard is entirely a fiction. This is the cause of panics. Money should be divorced from credit.

Mr. R. H. Patterson, a very eminent English economist and opponent of the specie-basis system, says:

"If much gold happens to come into the country, the note circulation is likely to be increased to a corresponding extent; if gold is withdrawn from us, the note circulation is proportionately diminished. If, owing to a temporary cause, all the gold available for monetary purposes were sent abroad, all our paper money would likewise disappear, and the country be left without money of any kind. A more absurd theory was never propounded. If metallic money fails us, we are on no account to use any other. This we are told to regard as a masterpiece of economical science; this is the great discovery which our advances into civilization have revealed to us. The gospel of monetary science now is, that when a country does not want paper money, it ought to have a great supply of it; and when it does require paper money it shall have none. When a country has enough of specie, it ought to double its currency by issuing an equal amount of bank-notes, and when there is no specie, there should likewise be no notes. Is it necessary to discuss such a theory? In order to be refuted it needs only to be stated; in order to be rejected it only needs to be understood. It is a theoretical monstrosity against which common sense revolts—a burlesque of reason, which even the present generation will live to laugh at."

Money should not be redeemable in gold, or anything else. In the name of common sense, why should we expect to need less money in a year, or at any future time?

To provide for retiring it is as foolish as would be the action of a city government which should pave the street with blocks provided with rings for the attachment of derricks, that they might be easily removed and piled up when not further needed.

Should there be a flexible currency?

Should a yard measure be made of elastic?

Some maintain that there is a critical time in each year when money is in special demand. I doubt it. If this were found after exhaustive inquiry to be true, it could be remedied by requiring a slightly less reserve to be kept by banks at such seasons. But I have heard no argument on this season of increased demand that sounded reasonable. When there is a large crop the demand for credit for speculating is no doubt greater.

It is said that in harvest time the banks in the farming communities withdraw their deposits from the Wall Street banks to be loaned to farmers to pay laborers. But why permit banks in the country, where money is supposed to be lacking, to deposit their funds in the centers where there is already such excess of it as drives men mad?

How silly is the cry, on the one hand, for the issue of money to pension soldiers, or for "what not" purposes, other than the needed supply of currency, and on the other, the contention for a "gold basis." There is no scientific reason for the free coinage of silver other than the fact that two commodities fluctuate less than one, and that silver money would not have to be *borrowed* to get into circulation, as bank notes must, for coined silver would be paid out in industry, but banks *may not* pay out their notes except on loans. This was the principal objection of the bankers to free silver. There has been since 1894 a greater inflation through banknote issue than would have occurred with free coinage. Every dollar of these banknotes had to be borrowed from the banks, and observe the result of this debt volume in the present panic.

Credit evidenced by checks becomes current for short terms transferring property. Hence, such checks are currency. Bankers and governments really convert credit, evidenced by notes, into currency. These notes must be for proper sums and payable to bearer *on demand* without interest. If not payable until a distant future, they will only be taken at a discount. When bearing interest they will not be parted with, but kept for the interest. But such notes, during the time they are currency, cease to be credit. Although the issuer is liable for their payment, it is only when they cease to circulate. The citizen of Texas who holds a note issued by a Maine bank cares nothing for the bank. He looks not to the bank for pay, but to the merchant, whose goods he will buy with it. Money as long as it is money seeks property to buy, or creditors, and not redemption. But notes are a dangerous and imperfect form of money. There was never a greater lie put into circulation than that anyone in 1896 was afraid silver money would not be good.

Too many people conclude that no one but bankers know about the science of money. These same people leave city government to grafters. Aside from their interests, successful business men are likely to know less of the principles of money than poorer persons.

There is also a large "party" of stupid persons, animated by prejudice against those who are provident enough to have *Capital* loaned out, who howl against banks and Wall Street without knowing why, and clamor for the government to issue unlimited volumes of money to be loaned to farmers at 2%, or to be used to buy all the railroads, or dredge rivers, or what not. These gentlemen commonly have long hair, and they somewhat strengthen the cause of banks by their talk.

When one advocates that money be issued, either to give banks or government credit, he is ignorant of the first principles of money, or is "interested." No less does it show ignorance to think that interest rates depend on the volume of money. I know that the Bank of England claims otherwise, but it gets millions of pounds in interest out of its claim.

Rational Money.

What are the chief requisites of a nation's currency?

First: It should by all means be issued *designedly*—for the *purpose* of *currency*—and not inadvertently or incidentally as a means of saving interest, boosting prosperity or patronizing a powerful class. An intelligent city will not trust its water supply to chance, but employs expert engineers to calculate it. Why should there be no predetermination in this alone of the most vital instruments of society? Money should not be provided, as some persons build walks—when they have cinders to get rid of.

Second: The money supply should be one consistent scheme. One complete comprehensive unity, planned and instituted solely for the performance of its peculiar functions; not a haphazard patchwork of incident and accident. To this end, the devising of a currency to be substituted for our present blundering, crazypatch currency, should be given over to a body of men learned in economics, and having no members who are interested in banks or stock manipulation.

Third: It should have a constant value by means of a constantly maintained ratio to the volume of wealth.

Fourth: It should be divorced from credit.

Fifth: It should be sure.

Sixth: It should be convenient of transfer.

Seventh: Its volume should be free from any changes resulting from variations in confidence or credit. No change in its volume should be possible, except the changes determined by the commission in charge of it, and they should be limited to a very small percentage in any year.

Eighth: No private interest should in any manner control or assist in its issue or retirement.

Ninth: Its value should be entirely divorced from that of any metal or commodity. It should be made chiefly of paper, a material of nominal cost, and the incidental profit should of course go to the nation.

Tenth: As nearly as possible, everything but legal tender money should be eliminated from the volume of currency by the discouragement of debt.

"I would change the form of these notes, so that instead of being technically, or in form, a promise, they should have stamped upon them the denomination as gold and silver have."—Senator Wright, of Iowa, U. S. Senate, 43d Congress; Congressional Record, Vol. II, page 751.

When a correct basis for money has been adopted then let some properly constituted branch of the treasury pay this safe and honest money to the people through the retirement of bonds and other legitimate disbursements for public improvements, etc., until the whole present volume of bank-notes and redeemable currency should be replaced or such volume as scientific research should determine as desirable.

Beyond the volume needed to maintain its constant value, government should not issue money, and it should pay a good fair rate of interest for all credit.

The stock argument against irredeemable money is that governments are liable to over-issue. Are they more liable than banks to do so?

But however imperfect a means of gauging the money value we adopt, is it reasonable to expect that it would be better than to leave the whole matter of value and volume to chance; to changing conditions which tend to increase the volume when it is already too great and to reduce it still more when it is too low?

Any tariff or impost taxation tends to complicate the currency problem by withdrawing a large percentage of the currency as surplus in the treasury, which, in effect, is exactly the same as canceling it during the time it is so withdrawn from circulation, as is recognized by everyone. The banks like this, for they get free government deposits. With a national system this surplus could be kept down to a fraction of the year's expenditures.

The monetary commission referred to should work along with the treasury. Should money depreciate in value, purchases by government should be decreased and the money so saved turned into a hoard or reserve for the purpose. Should money increase in value, government purchases should be increased to pay out this hoard and any additional issue of currency required. It is a most rational plan, on all accounts, for governments of all kinds to do the most work in the dullest times, when it may not alone be done more cheaply but will tend to revive business. Interest is also lower in dull times.

Even with our unnatural tax system, a measure of success could be made by the issuance of bonds payable on demand. They should, of course, bear more than 2% when stripped of their use as security for bank issues, and when payable on demand, else they would find no sale. Any bond should bear more than 2%. No community fit to live in can have an interest rate so low as 2%; 5% is nearer a normal rate of interest.

Should the surplus in the treasury grow too large, these bonds could be called and paid in legal tender. Should a deficit occur in the treasury, these demand bonds should be issued to make it good, and so keep the volume of money constant.

The great English financial writer, Thomas Atwood, says:

"Contrast all the dangers, the changes, the fluctuations, the unjust ruin, the unjust aggrandizement attendant upon a metallic standard with the security, the equality of prices and of values, the exemption from unjust losses and from unjust gains, and the general stability of all profits and of all prosperity, which a non-convertible paper currency presents, self-existent, self-dependent, liable to no foreign actions, entirely under our own control; contracting, expanding or remaining fixed according as the wants and exigencies of the community may require—a non-convertible paper currency presents every element of national security and happiness without the possibility of injuring any one class of the community. By it we may forever insure a wholesome range of prices, neither too high nor too low, but securing at all times the due reward of industry to the productive classes, and the due distribution of mutual rights and interests among all other classes of the community. I have reflected upon the subject for twenty years; I have continually turned it in my mind in a thousand shapes and ways, and I still most firmly retain the opinion above expressed. And one important fact I ought to mention, in confirmation of this opinion. I have never met one single individual who has had leisure and disposition to turn his thoughts to this subject who has not fully adopted the same opinion in the end.

"If these arguments are wrong, is it not strange that no one has ever been found to point out their error?"

CHAPTER III.

CREDIT.

THE word credit denotes two very distinct entities. When one's promise of future payment is potent to obtain property, either by reason of a good character, or on account of possessing such assets that one may be compelled to pay, such person is said to have credit. The more correct or definite terms for this ability to obtain credit are credence, credibility or trustworthiness.

When one holds the promise or obligation of another, or has a balance at a bank—a clearing-house of credits—he thereby owns a portion or share in the present or future wealth of the community. We might term this "latent title" partnership, or undivided interest in property, existing in, or accruing to, the possession or stewardship of persons, perhaps unknown to the creditors, who owe a corresponding debt or obligation to deliver it. This is a meaning far from the other, though the two are usually confused. The first is but the ability to contract debts. The latter is an ownership of property as yet unapportioned.

"Confidence" is that condition of thought which gives credence. Fear destroys confidence. But confidence refers not alone to giving credence to persons; it is not alone the faith in the trustworthiness of persons, but faith in the success of enterprises. The value attaching to property depends on confidence. Panics annihilate wealth by destroying confidence.

It is often mistakenly asserted that there is as much real wealth in the country after as before a panic. It is not so. The real wealth is the general estimate of the importance of things, goods or enterprises.

Credit, latent-title, accrues temporarily to different interests with the output of wealth. The growth of a crop means a credit to the land-owner and tenant.

The steel company sells its product, for which it secures to itself in return the transfer of credit in banks. If its business is profitable its stockholders have a credit accruing for which the company transfers this credit to them in dividends. This credit, latent-title, is constantly accruing to owners of capital, concession or loan obligations. This quasi-title is floated or transferred, either by the transfer of the promises, the debt-obligations of debtors; by the handing about of the specific notes or bonds, or by transferring by checks the debits of banks guaranteed by the pooled promises held by banks, from their *debtors.*

Credit is a promise to deliver. It involves a promisor called a debtor, and a promisee called a creditor. A date of delivery may be stipulated or left to the option of either party. A loan that may be paid or declared due at any time is termed a Call Loan. The property promised may be specified, or only a certain *value* promised, the kind to be determined at delivery.

We deliver our baggage to a carrier and get a check promising to redeliver to us the *certain* trunks or pieces. Wheat is delivered to elevators, and receipts taken promising so many bushels of the same quality, but not the same specific wheat. These receipts are bought and sold more largely than the specific wheat.

In rural districts it is quite common for one person, who is known at the general store, to give in exchange for labor or goods, an unspecific order on such store; not for so much flour or sugar, but for so much value of any goods selected. He will pay the store at harvest. Department stores in cities, commonly, upon the return of goods not desired, issue a credit check of like nature to such orders.

The promise to pay money, while legally specific, is not so in general practice. Few notes are actually paid in money. Most are paid by giving another form of credit due on demand—checks. The holder of a note may, in some instances, even be *able* to demand gold, a special kind of money; but this power is rarely enforced. Money is demanded in time of panic, to some extent, but not universally, else few should escape bankruptcy.

Credit is not capital, but its principal use is to procure capital. One may buy a diamond or a coat with debt. This simply implies that he expects that wherewith to pay, either from his salary or other income.

Interest is usually charged for credit. When one furnishes funds or goods and waits a year, he charges in addition to the cash price the current rate of interest. Hence, the borrower cannot consistently borrow except he put the results of such borrowing to procuring him increase wherewith to pay such interest.

I may buy one piano and hold it a year and return it with 6 per cent. interest added, for I have had that much pleasure from the music; so that I take the interest from my other income. But if I may be able to sell them at 10 per cent. above what I pay, I can buy a thousand pianos and pay 6 per cent. interest thereon, for by distributing them to users I add to their value. They are my capital.

Credit is largely given for capital. A wishes horses and equipment to grow crops. B has them, but he has not faith in A's ability to redeem his promise to pay for them at harvest. But when C, in whom he *has* faith, endorses A's promise to pay, he takes it for the capital A wishes. C thereby gives A credence wherewith to get capital. Now if A succeeds in growing a valuable harvest, he may through exchange redeem his promise to B, and thereby he may then obtain some credence with A on his own account.

A feature of credit overlooked is this: That while credit is primarily based on some species of tangible property, such as lands, merchandise, etc.—either existent or to be produced, which is looked to as a means of payment—this credit in common practice comes to be largely superimposed upon other credit. For instance: A has tangible assets, land for instance, of a value of more than $10,000. He gives B a mortgage on this land for $10,000; B puts up this mortgage as collateral at a bank and gets a checking account of $10,000. He has his check certified for this amount at the bank, and puts it up as security with D for stocks worth $10,000. Now here are four $10,000 credits based on an original $10,000 of property. In actual practice, this repetition of credit goes much further, even to ten or more times. Banks extend a credit to borrowers of more than ten times the actual money in their vaults.

In every community there are those with sums of credit that they do not immediately need to spend. Salaried persons save part of their salaries. Merchants have not use for their daily receipts until certain demands mature. Farmers sell their crops and have no need for the proceeds until new crops are to be planted or improvements made. A dealer in credits borrows from several hundred these small sums of credit and money aggregating, say, $10,000 at little or no interest. With this accumulated sum he buys from the lumberman the note of the builder; from the grain grower, the note of the stockfeeder; from the factory, the note of the merchant; he also loans money to the brickmaker to pay for labor and fuel to complete his kilns of brick; the ice man to store his houses with ice, and so on. Now the sellers of these notes do not immediately need all the cash, but they simply allow the credit dealer to owe them the amounts due on demand or upon their written order.

It may be that the grain grower wishes to buy more land and it will be months before he gets what suits him. It will perhaps take the factory some weeks to pay out the proceeds of the note given, for wages or supplies. The lumberman may not wish to pay for new stock for weeks, hence the credit dealer will not need to pay out all of the $10,000 he borrows in order to secure $10,000 of notes. He may buy at least $40,000 of notes therewith.

When the manufacturer pays his men they will pay the money to the merchants, who at once deposit it with him again. So of payments made by all other borrowers. Such credit dealer is called a banker. Many persons think a banker must be very rich to loan so much. But they forget that he may be borrowing quite as much as he is loaning.

A banker needs to be able to judge how much to loan of what he has borrowed, by guessing how much redepositing will be done and how much checking out. He must also study applicants for loans to determine what credence they should have. But being a banker does not tend to give a knowledge of national finances any more than being a blacksmith does.

But, it may be asked, how can one deposit abstract credit in a bank?

By depositing checks, notes or drafts.

How does this help the bank? It enables the bank to make loans, to give checking accounts to customers, and take the responsibility of meeting their checks with part of the cash on hand, because it has these credit resources to realize on if required, by rediscounting them.

Is a bank of use in a community? Yes. It serves people in various ways. First, it furnishes a safe storage for funds, allowing them, at the same time, to be more conveniently paid out by check without the trouble of counting, or the risk of loss in delivery. Second, it is a means of making the capital of those who do not wish to use it, available to those who do.

Now the lumberman could not hunt up several hundred persons with dribs of money in order to get $5,000. If he went to them they might not trust him, or they would not be willing to lend for any definite time. The banker borrows these sums and by having so many is able to take chances on lending a definite sum for a definite time, it being likely that if one calls for his deposit, another will make one as great. He needs only to keep a certain percentage of reserve. Most people are not afraid to trust him. He virtually endorses the loan to the lumberman.

Suppose a library is formed by borrowing ten books from each of 5,000 persons, each of whom may now have the use of 50,000 books instead of ten. A loan library is a "book bank." A livery stable, if it borrowed its rigs, would be a conveyance bank. This plan is proposed with freight cars. A pool would borrow all idle cars for a day or year —however long the owners had no need of them—and reloan them. This principle gives the great efficiency to Pullman cars. They are diverted to the line of heavy traffic.

The business of production and distribution would be much hampered if deprived of banks. A producer may not have great wealth, yet he finds that retailers desire "time" if they buy. He can take their notes if he may discount them. But he may even need to borrow, so as sufficiently to finish his stock as to begin selling. The banker, seeing the progress of his stock, may readily lend him credit to pay wages and for supplies. He must at the start have money to build his plant, or borrow it for some years on bonds or mortgages.

A bank's principal dealings are in credit—in simple abstract promises to pay, not money, though the stipulation is so written; but to pay value, goods, wealth, property. A farmer sells his hogs, a miner his ore, a merchant his wares; they may simply get credit, promises to pay, notes or checks. These they turn over to the credit storehouse, the bank, to keep until they wish specific property, or to cancel their debts. When one sells anything it is sufficient to get a check, an interest in "demand credit." He may then transfer it to others, in exchange for what he desires to enjoy or use for capital.

But credit is not capital. Neither, if one get from the bank actual currency, has he acquired capital. Yet, while neither money nor credit is capital, they are the most convenient means with which to secure it.

Suppose you wish to go into manufacturing. You either have, or by some means secure, a balance or credit at a bank for $20,000. Now, according to common parlance, you have so much capital, but according to strict economic terms you have but the means of getting it as you require it. With this you buy stocks of "raw material" and such machinery and other equipment as you require. You require workmen. These fashion the raw material into useful shape.

At the end of a week or a month they have thus added several hundred dollars of value to it. These workmen thereby acquire an interest or credit in the wealth being thus developed. Say their share is now $1,000. You buy it by paying them wages. To do this you must have other credit to transfer to them, with which they may buy what they see fit. How do you get this credit? Naturally you sell the product and get a transfer of the buyer's credit at the bank.

But suppose you simply deposit your note at the bank and give the workmen checks. They may with these checks procure food from the grocer, coal, shoes, lumber, etc., from dealers, or pay installments on land—in short, procure subsistence as well as to make other uses of them, the recipients perhaps indirectly buying the output of your factory therewith. But this does not constitute this subsistence "capital," for when bought for consumption it is no longer capital.

This variety of goods bought by employes is, however, wealth—whether berries or vegetables picked to their order in exchange for credit. By this credit acting temporarily as currency, this variety of goods is "fluxed," or made to flow to balance the $1,000 product taken over by you.

Now, while it could not be expected in practice that the various dealers receiving them would return any great portion of your checks to you, yet they will in fact return all the credit indirectly to employers generally; so we see that through credit the wealth of the gardener is transmuted indirectly into manufacturers' capital, in the shape of part of your week's output, by his taking the wage checks which he may convert into capital for himself by buying part of it—perhaps a plow.

A, B and C are depositors at a bank, have a balance. E borrows from it to pay for his stock of merchandise. Hence, A, B and C are indirect title-owners in E's stock. They may buy portions of it, and by checks to E enable him in a measure to liquidate. In this indirect way, owners of credit have a sort of indirect title in the goods of debtors.

It should always be remembered that what is received by the debtor as a consideration for his promise is a distinctly different parcel of property from that which he agrees to return in payment. What he receives may be capital, personal enjoyment or the satisfaction of other debt; what he expects to pay with may be the proceeds of crops or manufactured goods. Thus millions and millions of credit represent nothing but the power to absorb wealth yet to be created.

Debt beyond a very limited amount is a great evil. It leads those of poor judgment to extravagance. Debts mature, sometimes suddenly, and tremendous volumes simultaneously. Confidence is destroyed, debtors lose their credence. Awful loss and bankruptcy result. It is then that the legal phase of the contract is partially enforced which requires a specific commodity; money, or even a specific kind of money, gold. Values of all other things are thereby sacrificed.

Laws should be changed to remedy the very foundation of credit. A correct money system would be one of the remedies.

But aside from the money question, credit vitally demands to be studied.

If everyone could realize that it is quite as dishonest to needlessly delay the payment of an account, as to fail entirely to pay part of it; this would greatly reduce the debt volume. The risks of mercantile business are more than doubled by the necessity to carry needless accounts, and there is no surer foundation precept of success in business than for one to hasten to pay ones debts at the earliest moment.

The economy to the public by increased use of money through banking, reminds me of the boy and the jam.

"My son," said this boy's mother, "isn't it rather an extravagance to eat butter with that superb jam?"

"No, ma'am, it's an economy," the boy answered, "the same piece of bread does for both."

Beyond a reasonable volume, the benefit of banking is, that it makes the same piece of coin serve the banker to soak up many times as much of the people's good things, taken as interest.

CHAPTER IV.

Banks and Panics.

"The work of righteousness shall be peace, and the effect of righteousness, quietness and assurance forever."
—**Isaiah.**

A—The Recent Panic—Its Cause.
B—Demand for and Supply of Capital.
C—Dilation of Concession Value.
D—The Part the Banks Play.
E—Banking Laws.
F—The Remedies.

A—THE RECENT PANIC—ITS CAUSE.

DO banks promote panics? Are those cataclysms, which bring loss and destruction of wealth to all classes, whether patrons of banks or not, caused either by the reprehensible actions of bankers, or by the inherent wrongs of the banking system as legalized?

But, first, what is a panic?

A panic is a paroxysm of fear. It follows a period of prosperity; but is it an essential consequence of such prosperity?

The recent panic has been productive of much interesting discussion and, as might have been expected, the views given are much biased by the business and connections of the reviewers. Among the many causes suggested are the following:

First. "Lack of *sufficient* money."

Second. "Use of *capital* more rapidly than it was being produced, causing inability to procure capital for future development."

Third. "Lack of an elastic currency."

Fourth. "Excessive wages demanded by unionism."

Fifth. The widespread thought that prosperity should "just naturally" be followed by depression.

Sixth. General extravagance among the people.

Seventh. The scare caused by prosecution of corporation crime.

None of these suggestions offer a solution of the problem. Such widespread and depressing fear is attributable neither to incidental occurrences nor to normal activities however intense. Such fear indicates deep-seated and dangerous unrighteousness.

The first assumption—the insufficient supply of money—is mistakenly inferred from the increasing interest rate. The second, because the price of securities fell. The causes of the panic were obviously conditions accompanying the previous strenuous prosperity.

What is prosperity?

Webster defines it as success; well being; happiness. stripped of certain parasitical conditions which accompany it; national prosperity means that people are advancing toward their rightful condition of peace and plenty.

But many adverse phenomena commonly accompany it. You often hear it said that a town is prosperous which has many saloons. Here is a sequence which is not a consequence, but the reverse. A prosperous city will give support to more saloons than a dead, dull place, but this does not change the fact that the saloons, far from making a place richer, make it much poorer.

Likewise, a large volume of debt is likely to accompany prosperity, but this volume of debt does not promote prosperity, as many are deluded into thinking, but hinders and finally destroys it.

Prosperity does not *imply* debt.

During prosperity, however, there occurs the natural *expansion* of industry; simultaneously there is likely to be more or less *inflation* of debt. A panic is the collapse of this inflation; and this collapse, like some terrible explosion, is destructive of all *property* values.

Is inflation essential to expansion?

It seems to be quite commonly conceded that it is; so much so that the two terms are confusedly used as synonyms. It is time for a little careful thinking along this line.

We have expressions from supposed "masters of finance" showing that even they are deluded by this illusion. The parent of this absurd thought is the common, mistaken notion that wealth must be loaned to become capital. This arises from the fact that the ordinary person is ready to admit that he knows nothing of the great mystery(?) of finance, and to fall down on his knees to the banker and allow him to do all his thinking on the question.

Now, bankers are *simply men,* biased by their interests and warped by the phenomena most common to them. In their daily business, bankers see wealth applied as capital solely through the process of loans; ergo, they come to forget that only a fraction of the capital which contributes to industry is borrowed. Hence, arises the delusion that Credit and Capital are synonymous. The logical conclusion from this fallacious premise is, that the more prosperity we have the more credit, hence, the more debt we must have.

The author has no prejudice against bankers. They are not worse than men in other lines, nor more likely to try to conspire against the common good. However, they are able, more effectively than men in other lines, to influence legislation for their selfish purposes, because of this willingness of people to admit that financial matters are a mystery beyond them. Further, they are liable to do infinitely greater damage by their selfish dictation of legislation, because of the more vital character of financial matters. Labor unions, farmers, or mine owners, are no doubt as likely to try to get special legislation; but people do not concede to them all knowledge in their respective lines; hence, evil results are sooner recognized.

There is no delusion more widespread nor mischievous than that an accumulation of credits increases capital or helps business. Suppose there is $1,000 owing from A to B and from B to C and from C to D and from D to E and from E to F and from F to G and from G to H and from H to I and from I to A. There would then be $10,000 of credit. Would it not be a good thing if a clearance could be made and the whole thing wiped out? If each creditor held a note, this might be done by passing I's note from A to B, B to C and so on down the line until I held it himself. He could then destroy it. By this simple means of clearance a burden would be lifted from ten debtors, $10,000 of credit would be wiped out, yet with great benefit to both creditors and debtors.

Banks recognize the advantage of clearing their own debts; hence, they have clearing-houses to cancel all debts among themselves that may be cancelled. Of the total millions of international business, all but the smallest fraction is canceled in this way. This fraction represents the international foreign investments of individuals.

But the permission given banks to issue millions of currency, which they can keep in circulation only by having a corresponding volume of notes due them, necessitates this immense volume of debt that is uncancelable. The collection of a vast surplus by the iniquitous tariff system of taxes and by other careless and haphazard means of State and municipal revenue, which surplus is deposited in banks for long periods pending disbursement, is the basis of other tremendous volumes of unclearable debt.

But while an increasing volume of debt is not essential nor helpful to prosperity, still our "paternal laws" operate to cause its increase with the increase of prosperity, while the *natural* tendency, if not frustrated by these paternalistic laws, would be exactly the reverse. Most important of such laws are the laws confirming concession, and those granting favors to banks, for debt consists largely of the price of land, of bonds representing franchises, and notes for bank credits borrowed.

Before we may hope to account for panics, we must come to a better understanding of the distinctions between Credit and Capital, between Money and Capital, between Credit and Money, between Credit and Confidence.

The relations between money, credit and capital may seem illusive and baffling. A great demand for capital is often mistaken for a demand for money. A lack of confidence is mistaken for a lack of capital or money. The nature and identity of each is generally confused. Each has more the nature of a stream which rises and falls than that of fixed objects.

Is there an equipoise or normal relation between the volume of capital, credit and money? If so, what relative volume of credit may safely exist, as compared to the volume of capital? What volume of money is needed as compared to the volume of capital? What permanent increase of concession value is possible as compared to increase of output?

There is between these classes of property, and between each of them and the whole volume of property in general a proportion which, when disregarded, results in disorganization of business. The volume of *capital* must not become too small as compared with the whole volume of property, nor the volume of credit too large in proportion to that of capital. If these ratios are kept normal and the supply of money is not contracted nor inflated by legislative changes or the manipulation of the banking interest, credit will automatically regulate itself.

It is most important to the understanding of these questions that we recognize definitely what each of these terms include. Credit is the reverse side of debt. There can be no increase of one without an equal increase of the other. Capital is wealth-property applied to increase output. Capital is concrete. It has weight and bulk. It consists solely of a "stock" of something useful, or becoming useful, or the apparatus used in handling such "stock." It is not something created with ink and paper.

Persons go into debt for capital and for other property; such debt causes credit to accrue to him who loans, but the ownership of capital is not in any sense dependent on borrowing.

Owners of capital do not have to loan it in order to apply it to production. They may apply it themselves, either personally or by transferring it to a corporation for its stock. No debt is incurred by this means. Debt is in no degree an essential to any phase of production, though "wise ones" often assume that it is. Capital is an essential to Production, but capital does not arise from debt. It arises from devotion of wealth to aid production. Wealth is a stream from output. It accrues to Laborer, Capitalist, and Concessionist. These may consume it or employ it in production. Credit and debt come about by a number of persons becoming borrowers of property, and another number becoming lenders, or what is the same, a number buying property on time from others who sell on time.

But such buying or borrowing is not essentially for capital. A user of capital is not necessarily a borrower. Divorce from your thoughts all notion that money is capital. Now, if the amount of borrowing becomes abnormally large, credit becomes strained. But remember that borrowing is not limited to borrowing for capital; in fact a tremendous portion of debt is not for Capital but for Concession. A class of debt that goes far toward bringing on trouble is that for land. But debt for stocks or bonds is more dangerous to the public.

When credit is strained; when it is hard to borrow or renew loans, it is not because *capital* is *scarce*. It is because *debt* has become *excessive;* because the debtor class, the borrowing or buying-on-credit class, has become too numerous or has contracted debt out of proportion to the capital owned by them; because there has been too many farms cut into lots and sold at fictitious prices—too many franchises capitalized and the stock, subject to too heavy bond issues, unloaded onto the public; because too much debt has been made both for capital and for property other than *Capital*, for property which gives no increase with which to meet interest and repay principal. It is because criminal stock jobbing has become so notorious as to destroy the capital-owner's *confidence* in corporate issues, as in the recent panic; because real estate prices, through speculation, have become double what output of wealth will pay rent on, as in some previous inflations; because too large a percentage of output is taken by idlers as rent or accessage, and withheld from the capital fund until borrowed.

Debt and credit are created entirely aside from production and industry. A has $100,000 of property—wheat, cotten, merchandise, land; B signs a note to him for $50,000 for half of it, and C for the other half. Here is no increase of property, no increase of capital, no increase or decrease of money, but $100,000 increase of debt. Credit and debt do not imply an increase, but a *transfer* of wealth, or, perhaps, only a transfer of a quantity of other credit evidences.

Credit and debt are promises independent of all industrial operations. The "bull" element encourages debt; the "bear" element discourages it. Debt is normally reckoned to be paid from that for which it was incurred; the principal from its sale and the interest from its increase of value, or increase of product. If for capital, the profit of the industry, or if for land, the rent is expected to exceed the interest. But much debt is for that which produces no income or output, being incurred with the gambling, or speculative desire to get something for nothing.

Vacant property is bought with expectation of increase in value. Corporate shares which pay little or no dividends are bought in hope of expansion. Increase in prices of franchises and land is limited by increase in the general output of wealth in the community. On the whole, however, increase in such prices can exceed ordinary interest rates for but very limited periods.

Buying on expectation of a rise in prices is speculation.

All debt must be for something giving an increase, or some one must lose. If borrowing becomes too excessive panic must be the inevitable result. Speculation is likely to accompany prosperity: if too general it causes adversity.

All interest, all rent, all profit, all enhancement of values, as well as all wages, *must be paid* from the *output* of industry. Hence, when debt, which generally draws interest, gets out of proportion to output, trouble surely follows.

Debt has always, and rightly, been regarded as an evil to be kept to the smallest bounds; yet government, influenced by bankers and stock-jobbers, creates the occasion for most of our debt volumes; and this banking interest, through a sympathetic press, would make people believe debt a blessing.

How lacking in shame are the banks, when a crisis comes, to turn down in cold blood applications for loans made by patrons, and at the same time appeal to the patriotism of those who have balances due them, not to withdraw them. What an evidence of rottenness in our financial system, that such an unnatural system is authorized.

The extent to which productive exchange is hampered by lack of the medium of exchange is grossly exaggerated. It is hindered, even paralyzed, by panics. Ignorance, greed, dishonesty and fright—do stop the circulation of commerce, even as physical excesses do the circulation of the blood; and a system of finance that has become weakened by artificial stimulation, succumbs most quickly. While it used to be contended that workingmen needed stimulating drinks at their work, this theory now has few supporters, even in Germany. Likewise people will some day learn that artificial currency stimulation results in stagnation, paralysis.

Production would not be one iota less if banks were required to hold at all times even 60% of their deposits in legal tender money. True, they would lose 6% or 7% on billions. Individuals can and will at all times, except during brief periods of fright, furnish to borrowers in any community all the capital that there is any opportunity to put to productive use, and on a basis that is safe. In periods of great prosperity, when capital can make rates of profit above 6% or 7%—that is, when the real normal rate of interest is perhaps 9% or 10%—banks, because they get deposits freely from individuals and government, make mountains of loans at 6% or 7%, of which a large portion are unsafe. A slight scare comes, depositors ask for their money. The banks have but 5% to 10% of the amount of the deposits on hand. They cannot pay. Then the banks storm the Federal Treasury for deposits of public funds, or ask permission to inflate more.

What a stupid mistake was recently made by the offer of $150,000,000 bonds that bank currency might be issued thereon. There was no scarcity of currency. The only trouble was that the bank loans had been too many times the amount of the actual money in the country. They owed too much to depositors; but these loans were rapidly reduced. Banks do not wish to extend further credits in times of panic; rather to curtail it. And individuals do not then seek to make new loans, but only to renew old ones, to protect themselves against loss. Were all the gold of the world dumped into our own banks in the midst of a panic it would not promote the desire either to lend or to borrow. What delays recovery from a panic is the general disinclination of men to borrow and begin new enterprises. The banks fill up with money and no one seeks it. Loans will go begging shortly, but these bonds will go on drawing interest.

The attempt to cure the evils of inflation with further inflation, is as though the Colonists had bribed the savages to peace with rifles. It is like trying to put out a fire by pouring on gasoline. If this policy continues, the banks will get an act pledging the Government to redeem their unlimited issues, as well as guarantee their depositors, and Government and all will go down together. Why not learn that ten dollars per capita is just as good as $500.00 if let alone, and not juggled.

But the big bankers use the currency for a sponge to soak up the wealth of the world and then squeeze it into their private coffers. The "country banks" are not conscious parties to this, but are *used* by the metropolitan banks. What more right has a bank to refuse to deliver my money to me on demand than the liveryman to refuse my horse because it is a holiday, and he has it hired out at an exorbitant rate?

The *total fund* of *money* remains of the same total value, notwithstanding the increase or decrease of its volume in number of *dollars*. It is the *dollars*, the *units* that increase or decrease in value. *Decrease* in value of the dollar makes apparent, but not real, *increase* in value of all other property, for it increases for the time its "dollar price."

To think that increase of money increases wealth is as absurd as to think that shortening the weight arm of a scale would increase the thing weighed. It would certainly increase the apparent weight. If we shorten the arm without increasing the size of the "weights" it will take more "weights" to balance the thing weighed. Now, what sense would there be in shortening this arm, and making "pounds" smaller, simply to be able to say that we have more pounds of things? But if some special "interest" could get the sole monopoly of making the weight disks, and could charge a big rental for their use, don't you suppose this "interest" should try to get a law to shorten the scale arm so they could rent out more disks, just as the banks wish to reduce the value of currency so people must rent (borrow) larger numbers of their notes.

Why not have honest weights and honest measures of value?

High interest rates do not indicate insufficient volume of money. The financial reviewers tell of the demand of borrowers exceeding the supply or quality of money in existence. Now, borrowing money would not take it out of existence, would not remove it from the available fund of money, for in actual reality, people do not borrow money, they borrow *Credit* or they borrow *Capital*—stock and equipment.

Would any one be so foolish as to *borrow money,* store it away and pay interest? Perhaps one does occasionally give his note and get currency; but most often, a check which he seldom cashes. He gets Credit. This he immediately converts into concrete wealth, *not* credit nor *money,* but capital, or concession. *Money cannot produce* an output. Railroads, horses, machinery, stocks of goods, animals, contribute an output.

One says: "I have a thousand dollars capital, 'money in the bank.'" What does he mean? Not currency, gold or silver coin, or greenbacks. No one has that in the bank. He has $1,000.00 *credit* at the bank.

Credit is not capital, cannot be made into capital, but it is commonly so called because one may readily exchange it for real capital. But we must be definite. We are now considering the volume of capital in the community, not what *it is possible* for you or me *to get*. Credit *will get* potatoes, but you would not say credit *is* potatoes. Credit will not carry cargoes of goods across the sea. It requires ships made of wood or steel. Money will not shelter a stock of dry goods from the rain, it requires a store-room. Money will not carry a railroad train over a river, it requires a bridge. It will not print newspapers; a press is necessary. Ships, buildings, stocks of goods, bridges, presses, are real capital. Money is not. This is not a play on words, but a scientific fact.

What some industries suffer for, even on the crest of the wave of prosperity, is real capital, not money. Yet some of our "eminent financiers" do not perceive this. Even the great Henry George became confused regarding this.

Let us trace the ordinary case of a man starting into a business, say that of manufacturing. He has $100,000 "capital," according to the loose expressions of ordinary speech; that is, perhaps, he owns some farm land, some flats in the city, some bank stock, a few shares of railroad stock, some real estate mortgages; perhaps he has a bank balance of $200.00. He decides to start a factory and contracts for a building to cost $5,000.00. He has but $200.00 in cash, yet when the building is finished he pays for it in cash which he gets just the day he needs it by selling some mortgages. Later, his machinery is delivered; $5,000.00 more becomes due; this he gets by selling some railroad stock, and he now has the bulk of his equipment. Then comes his "stock" of materials to be worked upon. Now he sells his bank shares to pay for it. Later, he has rents come in, sells some land, etc., to get in funds to take up the increase of "stock" accruing from the work of his employes. At no time has he had money for capital. For brief periods and in small installments money or credit has been used in the exchange incident to the transfer of property—land, credits, railroad shares, etc.—into capital, that is, into stock and equipment. But at no time has he held a volume of currency out of circulation by his operations. This common speech which says "capital" for anything which may be exchanged for it is well enough, just as one says he has earned his "bread" when he means the resource to buy bread or other subsistence needs. But in economics, "capital" is first, last and all the time limited to *stock* and *equipment.*

Reviews of the markets, by those eminent in banking, and manipulation of corporation shares and bonds, account for a "weak market" as being caused by production exceeding the proper ratio to the existing fund of money—money being limited to gold, or to a general form of currency, according to the school to which the reviewer belongs. Yet the scientific fact is that *neither* the *output of wealth nor* the *quantity* of wealth which is available *for capital* is in any degree *limited* by the size of the *fund* of *currency.* There is *no* normal *ratio* or relation *between the two,* any more than between such output and the number of horses in use.

In order to be definite on this point, I must risk being tedious. Capital is not money, is not derived from money; is not credit, is not derived from credit. A reasonable use of credit and money *facilitate the application* of wealth to productive purposes, but capital may be thus applied without the use of either money or credit. And the degree in which money *facilitates* such application is *not in proportion* to its *quantity;* more especially if this quantity is considered to be the funds of gold. Credence expands naturally with the success of production, as any person of ordinary observation can see. If one succeeds with the capital you lend him, will you not lend him more? And does not the profit he pays you increase your ability to supply him? But you will be able to get greater interest in prosperous times, and will demand *more* interest while he will naturally seek to cancel his debts.

There is such a thing as an extraordinary demand for capital. Let us assume that it may at times exceed all possibility of immediate supply. This comes about from the unnatural "ebb and flood" of business, due largely to our panic-breeding system of finance, to the fact that business starts, runs high and then slumps. When business improves, all rush at once to enlarge and extend equipment, making the demand for capital abnormal. Then our system floods the land with an intoxicating supply of bank credit.

But someone may ask, if you have money or credit may you not exchange it for capital? Indeed, but that is not necessarily increasing the existing *fund* of capital nor decreasing the *fund* of money. It may get me more capital, but it may do so by taking it from you. What is needed is to have the *available fund* of capital enlarged. How?

By such inducements as will cause those who have incomes of wealth accruing to them, from rent, interest, dividends, etc., to *divert* them *from* their *enjoyment fund to* their *investment fund.* Higher rates of interest, and greater assurance, or security from loss, have such tendency by discouraging waste. If large volumes of accruing credit—power to claim title to wealth—are being converted into capital, being put to work instead of being "cashed" and consumed, this maintains or increases the fund of capital. But if the rich credit-holders, income-getters, convert their income from credit *into luxuries;* if, instead of buying brick, steel, cement, machinery—stock and equipment—they buy wasteful personal supplies and consume them, this depletes the "share" and "loan-carrying" volume, as well as the "wealth basis"—the real capital.

A railroad does not need more money when in the intensity of prosperity it struggles to sell more bonds. It needs more cars, rails, bridges, sidings, etc. Why can't it provide these things from its increased income, one naturally asks.

That it should be able to is unquestionable. The reason it cannot is because with the growth of prosperity, the controlling "interest" in its affairs manipulates its capitalization—increases its issue of stock and bonds, without adding to its real *capital.*

A high interest rate *is not* an indication of a scarcity of money; rather the reverse. Inflation, over-supply of money tends to *enhance prices,* which has the same *temporary effect* as real increase of wealth, as far as procuring profits to make payments of interest from borrowers to lenders is effected. When people see the prices of things advancing, they seek to borrow so they may speculate in them. Continued prosperity depends on the following relations of credit, capital, money and property in general:

First. The volume of credit should not be too great in proportion to the volume of all property.

Second. The volume of capital should not be too small in proportion to all other property.

Third. The volume of money should be constant in proportion to the whole volume of wealth, for this is essential to the maintenance of money's constant value, and the consequent steadiness of markets, which promotes real production.

Fourth. The volume of money need have no relation to the number or volume of exchanges.

Fifth. The volume of capital is entirely independent of the volume of money.

Sixth. The volume of capital is entirely independent of the volume of credit.

Seventh. The volume of currency, other than money (checking accounts, drafts, retirable note issues, etc.) should be the smallest possible proportion (commensurate with free movements of exchange) to the volume of unredeemable, final legal-tender, debt-paying money.

Eighth. The volume of credit should not become too great as compared to the volume of output; for credit commonly draws interest, and the revenues to pay this interest, whether obtained from rents, dividends or enhancements of value, must be supplied by current output.

Ninth. Debt must always be equal in volume to Credit. No increase of one is possible without an equal increase of the other.

The foregoing consideration of the relations of Capital, Currency and Credit to prosperity proves conclusively that prosperity was not interrupted by the scarcity of either Currency or Credit.

Let us now consider the assertion that lack of *Capital* put a sudden stop to that wild, strenuous scramble of trade which existed a few months ago.

B—DEMAND FOR AND SUPPLY OF CAPITAL.

Does the demand for capital in prosperous times tend to increase more rapidly than the output of wealth from which it is supplied?

No.

Notable writers have attributed the present *alleged* shortage of capital to the destruction of capital by the Boer, the Spanish-American and Russo-Japanese wars, and the San Francisco fire. These were indeed unfortunate wastes of capital, great losses to industry. But it may well be questioned whether these wars did not, along with such waste, also retard business to such extent as to lessen in like degree its demand for capital. This, however, will not hold good regarding the San Francisco fire. That not only destroyed capital, but its rebuilding made the most intense demands for it.

Professor Laughlin says: "The *scarcity* of capital is the important thing in the situation." But in the course of his reasoning he does not really have in view the *scarcity* of *cap-*

ital; for he immediately says: "When we hear it said that business must slow up, it means that all *speculation* for *future values must await the growth* of new capital. * * * * The undermining of *confidence* in some of our large industries has caused very serious liquidation in securities."

In other words, *speculative* increase depends on *output* increase. Loss of confidence prevents re-investment. This does not mean *scarcity* of capital, but unwillingness to trust it to those in control of the corporations dominating the field of opportunity.

We must see how small are the effects of all these wars and disasters on remotely subsequent conditions, when we recognize the brevity of a "generation" of capital, for capital created *to-day* is in a large measure consumed in *tomorrow's* industry.

That the waste or loss of capital at one period would cause it to be scarce several years later, is as unlikely as that the failure of a potato crop would make seed potatoes scarce several years later, and that the extensive *use* of capital would make it scarce, is as unlikely as to think that the extensive *growing* of potatoes for a period of years should make the seed scarce.

Deprivation of the peasant class, by a predatory ruling class through oppressive taxes or rents in Ireland or India, tends to make a dearth of seed for planting, as well as tools for cultivation of crops. The continued despoiling of crops by wars or marauding bands will likely cause a small planting of seed, not essentially because seeds are scarce, but because there is lack of assurance of reaping the fruit.

The important fact that capital is mostly supplied by the *immediate period* which puts it to use must not be overlooked. It is doubtful if it would greatly tax industry to supply in three years a volume of capital equal to the whole existing supply, should a demand suddenly arise that the world's capital be doubled. The following figures are an eloquent proof of this:

The whole *total capital* invested in manufacturing industries in the United States, according to the census for 1900, was but 9,835 million dollars, yet the *output* was 13,-014 million dollars, or over 30% more than the *capital.*

No statistics are available to show how much of this pseudo "capital" of 9,800 million dollars consists of land and franchise values—concession—but no doubt, if we placed it at half, we should be far too low. On this basis we should have in round numbers 5,000 million dollars of real capital employed in manufactures, creating an output of 13,000 million dollars, or more than two and one-half times the capital employed. Now to do this requires about 2,000 million dollars for wages and nearly 7,000 million dollars for raw materials; but this 9,000 million dollars does not deduct from the output, but is still an effective part of it. A large part of this 9,000 million dollars may be continued as capital if demanded, as the price of this raw material and wages earned can be reinvested in the capital fund if needed.

Suppose 15% of this output were put to extensions. It would much more than double the capacity in three years. No doubt the railroads and mines, if true figures of actual capital were available, would show conditions similar to manufactures. Agriculture certainly would if the land were eliminated from the "capital" employed. It has been asserted by one who has given the subject much study that the railroad stock is 95% water. But industry does not demand on the average 33 per cent. addition of equipment. Ten per cent. would be tremendous when any extensive field of operations is included. Perhaps 5% would be nearer the most extreme demands.

From a product more than double the whole value of existing capital, there would then be demanded but 2½% of product to be applied as capital increase. This is not including the capital which consists of stocks of goods either in process of completion or sale, for such stocks are at completion the output itself and are not consumed in their capital function, but flow on to enjoyment and reproductive uses.

But most important of all we must remember that every *addition* to capital increases, in a *geometrical ratio,* the *output* of wealth *available* for capital. Hence, the natural tendency of industry, when not frustrated by adverse interference, is to furnish for the *added demand* for capital a *multiplied* supply. Doubling capital is likely to quadruple output.

The Hon. Lyman Gage, after recounting losses and extensive use of capital in the construction of "railways, electric plants, cotton mills, steamships, etc., which use he estimates at 5,000 millions of dollars in the past six years, says: "It has been further evident to thinking persons that the pressure for the use of capital has outmeasured the supply of capital."

Does not Mr. Gage obviously forget that these electric plants, railways, steamships, etc., are still continuing in themselves to be the most intensely effective productive capital, and that they are giving a *multiplied* output of wealth from which new capital may be constituted. Yet Mr. Gage proposes to supply this presumed shortage of *capital* by issue of emergency *banknotes,* to create it with printing presses.

Even if it were a fact that enlarging industry tends to increase the consumption of capital more rapidly than it increases the output of wealth from which it is supplied, as these professors of "high finance" allege, then how, by all that is logical, do they expect to meet this excessive demand with the printing of "paper capital"—by the multiplication of I. O. U.'s? A bank's promise to pay, whether a currency note or the granting of a checking account, is not an addition to the community's supply of capital, but only an obligation on the part of the bank to procure capital somewhere, somehow—a mere bet by the bank that new deposits will meet the obligation.

The excess of such obligations is indeed the sole basis of panics. Banks do not, in the very nature of their business cannot, limit loans to what they have got, but make them mostly with what they expect to get.

Wealth must *first be produced* in concrete form and turned into the fund of wealth in return for credit. It is then withdrawn for enjoyment and for capital in specific form, and this credit canceled. No increase of wealth can be made but by growing, manufacturing, mining, etc.—by output. No increase or replenishing of capital is possible but by someone deferring use of some of this real output wealth and devoting it to capital. The real trouble crops out as we further read Mr. Gage's article in Everybody's Magazine.

"Syndicates privately formed," he says, "who had taken blocks of securities *in expectation* of *selling* them *to the public,* found that there was no public that *would* or could buy them."

The undeniable fact is that these "Syndicates privately formed" are the "milk in the cocoanut." They have been, like vampires, for many years, sucking the substance of the people, as well as the corporations they control, by taking blocks of securities at a few cents on the dollar and selling them to the public by their "washing" schemes at close to par.

But the public has come to know more of these "syndicates privately formed" than they did formerly. With this knowledge the public has also become fearful of their corporations and afraid of the banks they manipulate.

Mr. Gage says further: "Under these *unusual inducements* * * * * banks took over hundreds of millions of securities of these corporations; thus the delicacy of the situation was greatly aggravated."

And does not Mr. Gage suppose that with legislation enabling banks to deposit the securities of these very same corporations as security for additional issues of notes—"emergency currency"—that they would under the same "unusual inducements" load up with double the former amount of these securities?

It is wonderful what a lot of information there is "between the lines" of Mr. Gage's article.

C—DILATION OF CONCESSION VALUE.

All forms of productions would become *progressively cheaper*—easier of procurement—with the extended use of capital—increased equipment—and improved methods, were it not for the repressive power given by Concession to take an increasing share of output without giving any help.

It is contrary to nature for prices to *advance with prosperity,* as has been the case the past few years. The natural tendency of prosperity is to reduce the price (the real ease-of-acquirement "price," not essentially to change the money price) of all productions because of their more bountiful output with more plentiful capital. Food, clothing, houses, ships, railroads, highways, etc., should become increasingly available to all. The natural tendency is to maintain a normal interest rate, higher, much higher than the interest rate of hard times (not the premium paid to get renewals of loans), but not tending to increase progressively with the multiplying productiveness of capital.

We must remember first that interest "rate" is a percentage and not a stated quantity. As prosperity advances, the natural tendency is for the owners of capital in an industry to receive a constantly increasing volume of goods, more *tons* of steel, more *barrels* of cement, etc., but of *less value* when *measured* by *human endurance.*

To illustrate: Suppose one invests a hundred tons of pig iron, when it is worth $20. By immense production its value is reduced in ten years to $10 per ton, but whereas the first year he got as net increase 6 tons, he now gets 12 tons. His 12 tons reinvested has now a productive power in tons greater than 12 tons of ten years ago, but has no more value as measured in human endurance than 6 tons had then. This illustration of course does not apply to the ten year period just past, but would apply where the natural laws of industry were not frustrated.

What is the natural basis of the interest rate of capital? This is the important point for us to grasp.

It is the percentage of increase which will, on the average, induce owners to defer the personal-enjoyment-consumption of wealth, and devote it to capital. Obviously, users of capital cannot pay *more* than its reproductive increase.

Suppose such user borrow capital in the form of cattle to feed on the free range. He certainly may not pay the furnisher of it as interest, more than the annual increase of the herd, but he may pay much less. Or again, we will assume that he has not free range. He *must* then first take from the herd's increase rent for this pasture, after which he must take any interest charges from the balance of the increase. Or if he owe no one for his capital, he must still first deduct the rent from the increase, then the rest of the increase will constitute wages for the labor occasioned and interest on the value of the capital.

Furnishers of capital in all lines must ever divide the increase with Concession by paying accessage or rent either directly or indirectly.

Herein, then, is the vital point!

Concession invariably takes as large a share as owners will tolerate. When two hundred dollars' worth of oranges (above cost of care) grow on an acre of trees, which have taken perhaps $100 of capital to plant and grow to bearing size, what is the result? Is this two hundred per cent. *in-*

terest? Not by any means. The concession value in the orange grove is dilated. This new term seems needful, as "capitalized" entirely obscures the real meaning sought to be expressed. The land goes to $1,900 or $2,500 per acre. This $200 net crop is mostly rent, accessage, which this dilated concession power demands.

Now, let us notice the corporate working of dilation for corporate issues are more vitally responsible for panics. We may have seemed to digress, almost to have forgotten our text, "Panics," but not so.

Webster defines "dilatation" or "dilation": The expanding of anything into greater bulk by its own elastic power.

We hear, and we see in the press much about the "watering" of stock. If this expression "watering" has any definite meaning, I take it to be the increase of a corporation's securities to an amount in excess of the market or exchange-value of its assets, or perhaps in excess of their profit-paying value or ability. But the term "watering" is also confusingly used to indicate the swelling or increase of capitalization to *cover* an actual increased value or profit-paying power in franchises or other concessions owned by such company (such increase perhaps being in consequence of progressive conditions in the community giving more patronage or from some power to charge higher rates).

The word "dilation" expresses this meaning, that is, the swelling, expansion or distension of concession value which will actually pay dividends on more stock or interest on more bonds.

What is the common history of corporate issues, from the beginning of the recovery from one panic until the crest of the inflation wave is reached, and explosion precipitates another? Take as an example a corporation manufacturing a staple commodity such as iron, owning beds of ores, etc., or one operating railroads, or gas plants, having franchises, or mines of coal or minerals depending on ore lands. Supposing such corporation to be "capitalized" at a reasonable cost of its "plant"—tangible equipment and stock on hand. As prosperity increases income, does the percentage of dividends increase correspondingly? No. Is the difference applied to extensions and enlargement of plant? No, not commonly. Plainly the property of the company is worth more when it is bringing in a larger income. Then what is done with this increased value which grows with geometrical ratio? Certainly we have not recently seen the increased output reduced in price.

We might then expect that each share of stock would pay multiplying dividends, 6%, then 10%, then 15, 20 and 30%; that these corporations, able to use capital with such great increase, would double their capital stock and offer the public the new shares, paying these wonderful dividends. Either that or cut prices to consumers on their output. But they do neither. As the concession's value dilates they increase their stock and bonds. They issue a large quantity of bonds bearing only a stingy 4 or 5%, and sell them to the public in exchange for real capital to make extensions. But why do not the "public" investors start plants of their own and make 30% instead of buying these low-rate bonds? Because the established corporations have the field, own the concessions. But do they pay their old original stockholders 30 or 40 per cent? In effect, yes—if the management does not take advantage of their position to scoop up this profit, which is common. But they seldom pay a larger percentage in form, for they double, treble, or quadruple the stock issue, and turn the new shares over pro rata to old shareholders as a "share dividend," commonly called "cutting a watermelon." In other words, the original holder of 100 shares is presented at various periods with 50 or 100 new shares, so that while he gets but 5 or 6% on each share he gets it on two, three or four shares instead of one. Or perhaps in addition to doubling the stock the bonded debt is doubled, trebled or quadrupled.

Thus the dilating concession value is "capitalized" or more properly speaking, "securitized." Thus the public is made to furnish the real capital at 5%, while those on the ground floor, the concession holders, get 20, 30 or 40%. It is quite common, however, for the clique in control of "syndicates privately formed," to defraud even the masses of the original stockholders by concealing the true profit earnings from them. In this case they take these new issues themselves at a fraction of their face, and then, by disclosing the true profits or by exaggerating them and showing the wonderful growth to come and by "washing" the issues on 'change until the public is led to expect still further enormous growth of profits, this controlling clique gets from the public perhaps double what the treasury of the company got for the new issues of stocks or bonds. The public will often buy on a present basis of 2 or 3% *present* interest or dividends, if the promises of growth are rosy enough.

Mr. Stuyvesant Fish, in his article some months ago in the public press, displays an ignorance of economic science, for he says: "Despite the unprecedented output of gold, money is dear; and dear because of *high prices* and activity in trade." I have shown the reader that "dear money" is evidenced by *low prices,* and that high prices for the whole circle of things are a mathematical impossibility, and are simply the manifestation of cheap money caused by excessive supply. He, however, proceeds to cite the loss of "money" in the Boer and Russo-Japanese Wars. Yet there is no history of any loss of *money* in these wars. Mr. Fish surely means *wealth* and not *money*.

The high wages he mentions are a further evidence of cheap money. But however untrained in the study of economics from society's standpoint, Mr. Fish is "up" on the practices of corporate manipulation. He says:

"Wall Street **has absorbed** and is **absorbing more than its share of the loanable fund.** While banks outside of New York are lending more freely than usual at this season, yet that which they lend is instantly and persistently absorbed by Wall street. The New York Stock Exchange has ceased to be a free market where buyers and sellers fix prices through demand and supply, and has become the plaything of a few managers of cliques and pools. The investing public is out of the market * * * * simply because of distrust * * * * of the methods of corporate finance now in vogue in Wall Street. Indeed it seems to me that we are already embarked on a long-needed Moral Financial Reformation, which like the Religious Reformation of the middle ages, will through much cruelty, work out good in the end. To the need of such a reformation the public is fully awake."

Let us hope so, Mr. Fish.

The watering of corporate securities, however, serves another very important purpose, viz.: When the public clamors for reduced rates these corporation managers point to the "enormous 'capital invested' and the low percentage of dividend paid," as an excuse for not giving the naturally reduced prices and rates which prosperity should naturally make available to patrons. This is how the public is kept from reduced rates and how the honest investors of real capital are prevented from participating in the constantly increasing interest rate which a multiplying output without reduction of prices should give.

A judge recently declared the law, reducing the price of gas in New York City from the exorbitant price of eighty cents to be unconstitutional, because that even though the securities of the company had been "watered" to cover the dilation of franchise value, yet there were innocent stockholders. Pray, why are a few "innocent stockholders'" interests so much more sacred than the multitude of citizens' interests?

D—THE PART THE BANKS PLAY.

It is not herein claimed that concession values would not be ultimately increased without the help of banks, nor that depression of industry would not ultimately result from the increasing exactions thereof. Depression is sure to result from lessening the *Reward of Production* by the demands of increased accessage. But we are at present considering only increase of *debt* and its culmination in fright and panic.

Banks promote this dangerous incubus of debt and thereby help to bring on the crisis in the stock market.

This is the part the banks play.

Nature is hard to circumvent. With increased production and prosperity it is impossible for any special interest to get all the profit. Some of it must be diffused in spite of the most ingenious scheming. This diffusing of prosperity, although it only reaches the average public in a fraction of the degree it should, does, however, raise the percentage that the public's capital will earn locally, from 4 or 5% up to 6, 7 or 8%. The great corporations continue to place large volumes of bonds bearing but 4 or 5% on the market, together with stocks which are then earning no higher rates.

The public, by reason of the measure of prosperity existing generally among the people, that has escaped the schemers, is able to get a greater rate of revenue from various local investments, hence does not absorb these corporate issues so readily.

The banks *magnify* this apparent increased rate of profit from private investments as well as corporate issues; for, by increased issues of their notes and by the extension of checking accounts to depositors of personal notes for loans, they progressively expand the volume of currency, thus decreasing its "unit-value" and inversely increasing the apparent or money value of all other classes of property, thus causing unhealthy speculation.

These bank loans amounted in 1902 to more than 6,600 million dollars or three times the total money in the country and more than nine times the money in the possession of all the banks. By November, 1907, these loans had increased about 25%, or to about 7,500 million dollars. Think of it, a volume of debt giving no return to the public which was equal to more than three-fourths of the manufacturing capital of the land. Who pays the interest on this debt?

What do we need of this vast fund of fictitious wealth? This is the principal source of inflation which breeds panics. This is the booster of fictitious values; for all these loans, consisting of accounts subject to check, are performing the currency function of money. The apparent increase of values thus caused enables *dealers* in lands, lots, and even real wealth to reap *actual* profits. (But they are exceeded by the losses of holders when the slump comes.) These *profits* merge with true interest into the revenues of investors, thus further raising the current interest rate.

This advance of the current interest rate reflects again on the stock market with depressing effect. For the already great issues of big corporation's bonds must now sell cheaper to give buyers this higher rate. These concerns then need increased supplies of real capital, cars, engines, machinery, etc., to meet the demands of generally increased industry. To meet this need they offer bonds and short time notes bearing somewhat higher rates of revenue. These join with more widespread increased current rates in diverting investment from old issues on the market.

The interest rate which people generally are able to make in business and land speculation grows to say 7%. Now, in order for a 5% bond to make a 7% return it must be bought at about 70 cents on the dollar. So that when the general rate of interest among the public grows to 8%, these bonds to pay 8%, so the public can afford to buy them, must be sold at about 60 cents on the dollar.

Additional issues cannot be put on the market in competition. Some corporations *must* have new capital. Some railroads must have new cars, etc. What do they do? They turn to the banks, for the big stock-jobbers also dominate the "Central" banks. The banks furnish the funds for a while at the old rate.

This is the beginning of the end.

But why can the banks furnish funds at a rate below what the general public can afford? The answer is furnished by a study of our banking laws.

E—BANKING LAWS.

No better example is needed of the danger to the public in trusting an interested class to dominate legislation, than is furnished by the laws passed at the dictation of the banks.

When "free silver" was proposed these bankers were loud in their assertions that property could not "be created by law." Yet when their class selfishness seems to demand it, they expect government to reverse one of the basic laws of nature and commerce—to create capital out of paper.

If Congress should hold a conference with the "Consolidated Counterfeiters' Association" or "The United Smugglers' Union" and amend the laws to suit them, it would seem past belief. Yet when the country is threatened by these wholesale embezzlers, the head manipulators of banks, they are invited and asked what further favors they should like.

This is not insinuating that bankers generally are criminals, though it might truly be stated that the procuring of some of our financial laws are among the worst of crimes; for they are planned particularly and specifically to support the stock-jobbing dens of thieving, chief of which is Wall Street.

Let us briefly summarize the National Bank Act which in so far as may be State bank laws are patterned after. The salient feature of this act is the section regarding reserves.

At the start the more honest and intelligent members of Congress recognized the need that banks carry a decent amount of reserve. They thought that a bank should at all times hold in its vaults at least one dollar for every four dollars it owed its depositors. This need would be apparent to one of "ordinary" intelligence. But those masters of the art of "making something out of nothing" thought not. Finally they beat the amount down by this masterpiece of scheming for the interest of Wall Street.

This brilliant plan classified National banks or banking cities into three classes, with special privileges to those cities in certain classes, an action which had it been of popular benefit would have been enjoined and declared unconstitutional, as discriminating between States.

Now notice the fine planning.

The banks of New York City alone constituted the first class, known as "Central Reserve Banks;" those of sixteen other cities,* the second class, called "Reserve City Banks," and all other banks the third class, commonly called "Country Banks." The banks of the first and second classes were to hold 25% reserve, but the third class need keep only 15%.

Now here comes the Wall Street clause. Instead of these banks each holding its reserve in its vaults so it would have it when demanded, it was provided that the third class banks could loan three-fifths of their reserves (leaving in their vaults but 6%) to the banks of the First and Second classes. The Reserve City Banks in turn may deposit half of their reserve in the Central Reserve, that is, in New York banks.

Now, suppose such deposits of Country Banks increased the total deposits of the Reserve City Bank, say in Phila-

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*St. Louis and Chicago were later added to the Central Reserve cities, and other cities were added to the second class but without practical effect.

delphia, one-third, or from $1,500,000 to $2,000,000. The Philadelphia bank's reserve would now be $500,000, or no more than the amount of the country bank deposit, and yet it may deposit half of this in New York banks. But the Country Banks may, and mostly do, send their reserves directly to New York. This is exactly as though two men should trade $1,000 checks and then say they each had $1,000 more cash.

There is a lack of sincerity with regard to these banking matters on the part of the banks and public officials.

Scrutinize the statement of a bank when it does purport to give one to the public, and you will see under the head of "Cash" assets an item termed, "due from other banks and the U. S. Treasurer" amounting perhaps to something like half of the *cash* they purport to have on hand. Yet you see no corresponding deduction for "cash that they owe other banks and the U. S. Treasurer." That is counted under the general head of deposits.

Further these banks while earning 10 to 12% on their capital and surplus (the National Banks earned 10.98% in 1902), pose as philanthropic institutions. When they loan you their credit at 6 or 7% they are "accommodating" you. But when you expect them to return the gold you deposited with them, you are "unpatriotic."

An ex-Secretary of the Treasury, writing in a great Encyclopedia, says: "These National Banks have since their establishment received more than $4,000,000,000 of the Government's money and *cared for it,* thus doing the Government a *great service.* "A great service" indeed, to have four billion dollars without interest at critical times, when call money is perhaps at 50%. It is a singular thing how many men connected with the U. S. Treasury graduate into bank officials. Can it be a compensation?

When a bank fails, entailing great loss and confusion and its officers are prosecuted criminally, they often deserve sympathy. The banking laws are more criminal than such officers usually are. To allow banks to lend all but 6% of their deposits, and then prosecute the officers for receiving deposits after the bank is insolvent, is like allowing a child to play with great sums of coin and bills, and then beating it cruelly when some of it is lost.

Now there could have been but one purpose for this reserve scheme: It was to put the great bulk of the money of the country within reach of the Wall Street Manipulators, and they were not disappointed in the least with its practical workings. Mind you, this is *real money* that is thus gathered to the great stock gambling center, not just credit.

In the recent panic this banking crowd deliberately and persistently circulated the report that the cause of the panic was the withdrawal of their money from the banks by the people.

Yet what is the truth of the matter? (There are as yet no statistics available regarding the condition of the banks of the country, other than National, but there is no reason to suppose that withdrawals from them would be greater than from the National banks.)

Circular No. 56, issued by the United States Comptroller of Currency on December 23, 1907, and giving the condition of National Banks on December 3, 1907, is full of interesting information. Amazing as it may be, it shows that the National Banks of the whole country actually held in their vaults on December 3, 1907, 26 million dollars more actual money than on November 12, 1906. How can such an outrageous falsehood, as that hoarding made the trouble, be promulgated in the face of this statement?

But where was all this money, that the banks of the country could not meet their demands with it? Largely loaned on Wall Street. As we have outlined above, all National banks are supposed to maintain a sacred fund of 15% or 25%, according to their class, to meet any unusual demands of depositors. There has not been shown any extraordinary demand over the country in general at the beginning of the panic, but just the normal demands of a thriving business situation. Yet the banks were entirely unable to meet it, and turned their depositors away with various make-shifts, such as cashiers' checks, and what was euphoniously termed scrip, but was nothing more nor less than counterfeit money issued on a gigantic scale.

I repeat, where was this great volume of money which was in the banks, a sum even in excess of a year previous? The answer is given in the said circular, and is the key that unlocks the whole secret of the cause of this and previous panics.

This is where the money was: More than 200 million dollars of this sacred fund had been received by the New York banks as reserve agents, as a sacred trust to be returned instantly upon demand. This statement shows that all the National Banks of the whole country together held on December 3, 1907, a total sum of but 660 million dollars in real money. Yet the trouble was not that the banks had too little money, but that they owed too much to depositors.

These banks, with this 660 million dollars of actual money, had built up, upon it, liabilities to the total of 8,407 million dollars, or about thirteen times the amount of their cash. And a further study of this statement shows that the most outrageous excess of liabilities to cash was found in the banks of New York City.

These forty banks of New York City had received from the outside banks, and still owed them on December 3, of this vital reserve fund, on which solvency of the outside banks depended, with the promise to make instant return of it upon demand, the enormous sum of more than 200 million dollars, which, as can be seen, is about one-third of the total money held by all the National Banks.

And how much money did these New York City banks have to meet this sacred demand? The circular shows that on December 3, 1907, they had but 176 million dollars all told, to meet liabilities of every description. Yet in addition to this reserve money which the country banks were supposed to be able to get upon call for it, these New York City banks owed their individual depositors the staggering sum of 586 million dollars.

But it may also be said that the individual depositors also owed them, approximately, the same amount and that this would to some extent, be a set-off. This is somewhat true, as the theory of banking is built up upon the assumption that only about 20% of what a bank owes depositors needs to be kept actually on hand, to meet emergencies. But this 20% would be about 120 million dollars, or two-thirds of all the cash they had on hand.

Still this is not all. They owed the United States Treasury 76 million dollars, or nearly half of the cash that they had. There was no offset to this. And they owed State and private banks and trust companies the immense sum of 195 million dollars, and they had due them from these institutions to offset this but the insignificant sum of 10 million dollars.

They owed then, sums due immediately on demand, as follows:

Reserves to outside banks..................	$200,000,000
Reserves to their own individual depositors...	120,000,000
U. S. Treasury	76,000,000
Banks, other than National, Net Balance......	185,000,000
Or a total of	$581,000,000

They had total cash of but 176 million dollars. These statements are almost past belief, but they are made by the Comptroller of Currency, and a copy of the statement can be had for the asking.

Now how would *you* go about meeting *immediate* demands for 581 million dollars with only 176 million dollars? What could you do when the outside banks and your home depositors clamored for their money, but make an unconditional surrender and throw the whole system of finance into chaos, spreading ruin and misery throughout the land, upsetting all lines of industry, cutting off the means of the employer to pay wages, and of the worker to earn bread?

How great was the sum of misery the following winter throughout the whole length and breadth of the land—hunger, cold and desperation, followed by crime—all precipitated by this criminal banking system. For there was no other probable reason for interruption of industry but the periodical plucking of their victims by the manipulators of this banking system.

Yet what did these big magnates do but make a big bluff, appeal to the United States Treasurer, howl for an emergency currency, demand another bond issue, and then try to throw the odium of the whole criminal business onto the People and the Administration?

Is it difficult to see how profit may be made by "The System," as Lawson calls the clique who dominates the forty National banks of New York City, and through them the big Insurance Companies, Railway Systems and other enormous aggregations of capital? Is it not obvious how advantage may be taken of such a crisis to pile up private fortunes?

Suppose Mr. Magnate, who controls several of these banks and several other immense corporations, has pretty well cleaned out his holdings of shares at top prices to the public, and has a big credit balance in these New York banks as depositor. All he has to do is to check out a few millions and put it in his safe deposit box, and Slam! goes the bottom out of the market. He can then take his money out of the deposit box and buy back for 20 million dollars what he has recently sold for 100 million. This money machine is a veritable Titanic pump to exhaust the people of their wealth.

And what do these New York banks do with this volume of money they draw in from all over the land? They loan it "on call," that is, due on demand; they loan it on the security of corporation issues as collateral, with the stipulation that if not paid on demand the securities may be sold to the highest bidder. But how may 300 or 400 million dollars of stock be thrown on the market at once? Who is to buy? It would mean ruin to attempt it, and they know it.

When men of moderate means fail to meet their obligations they are declared bankrupt and put in Receivers' hands. But I understand that courts which were appealed to by depositors to force banks to pay, would not entertain such suits.

Do banks cause panics?

Can they help but cause panics when they gather into New York City more than one-third of the real money deposits of all the banks in the country, and use them to speculate in fraudulent securities?

The National Banking Law is a most complete and effectual scheme to give entire control of the money market to the head stock-jobbers of Wall Street and thereby to give them control of the values of all property in the land.

And yet they want more. They are clamoring for the deposit of *all* the Federal revenues now held in Subtreasuries. This would remove the last resource of safety. When the slump came there would then be no more "kind Uncle Sam" to go to, as his money would be included with the rest in stock deals.

They are also crying for an emergency currency. That is, that when they have overloaded themselves with loans on collateral and otherwise, they may in a crisis issue "legal tender money" against this collateral.

When a clerk takes the funds entrusted to his care and speculates in stocks or bets on races it is called an awful crime. Why is it not a worse crime when banks take the money you and I deposit with them and hand it over to Wall Street gamblers, and not only endanger the loss of our deposits but the whole system of commerce on which the people depend? It is fortunate that people generally were not so greatly in debt as at times of former panics. It was more strictly a bank and corporation panic this time.

And yet, scientifically speaking, this system of greed is but the extreme concrete expression of greed latent in the thought of the people at large. It is the embodiment or dominant expression of the prevailing desire to get without giving. In other words, the widespread greed of the masses finally culminates in this overruling system of spoiliation which succeeds against all other plans of covetousness.

Senator La Follette has made the statement that fourteen men dominate the entire resources and business of the land through this system. Doubtless of this fourteen there is one individual who is dominant. Yet, dear reader, it is not A. B., or C. D., or E. F. who is responsible for this system. It is not the fourteen persons who are officially directing the workings of this system who are the primal cause of its existence. They are but the temporary *directors* or exponents of the culminated manifestation of the widespread greed of the community.

Do not too quickly conclude that the foregoing statements are vague, metaphysical sentiments. They are hard, scientific laws of commerce. We have all read the story of the two greedy cats who quarreled about the cheese and how through their greed they were made subject to the monkey who devoured it all. Even so does the greed of the millions consume them, each greedy person contending against all the rest and beating them down to become the prey of the strongest. And this Wall Street system stands for the most seductive conception of greed, which has culminated in the manipulation of the most abstruse and elusive phase of economic forces—the currency or money supply.

But if a means were instituted to exterminate stock-jobbers as the leaders of oppression were guillotined in France, their places would be immediately filled from among the ranks of the public.

"For we wrestle not against flesh and blood, but against principalities, against powers, against the rulers of darkness of this world." In other words, against greed and fear.

The extent to which greed may unconsciously affect public affairs is shown by the stingy voter being against measures of public good because he thinks it will increase taxes, even when he pays not one cent of taxes.

Only that dominant thought which is avaricious will tolerate legalized oppression. But there are many signs of improvement. You do not get the reply so often now when you discuss these abuses with citizens: "Wouldn't you do it?"

F—THE REMEDIES.

The only sure cure is improved citizenship, and happily we are making great progress in this direction. Love and brotherhood will banish greed and fear. This improved citizenship is expressing itself in improved legislation and such legislation is helpful; it is effective, when backed by public opinion.

Legislation embracing the following features might tend to curb this destructive system if enforced by honest officials, backed by honest public thought.

First. The *reserve clause* of our National Bank law should be changed to require each bank to carry its whole reserve in its own vaults until used to cancel its obligations.

Second. Increase the reserve requirement to 35% for all banks.

Third. Provide for the actual use of this reserve for the purpose for which it is supposed to be held, by providing that it may be paid out to meet depositors' demands by the bank paying 7 or 8% tax per annum on the amount its reserve is thus depleted. And instead of an emergency currency provide for a period of grace of a few days' extent, available both to the banks against their depositors and to those who owe the banks, by the payment of a certain reasonable percentage as penalty to the waiting creditor.

Fourth. Prohibit call loans, for they endanger the borrower individually and in the end the banks collectively.

Fifth. Prohibit more than a small percentage of deposits being loaned on collateral.

Sixth. To prevent banks sending their money to New York and other centers, prohibit banks from receiving interest from other banks and forbid State banks loaning money outside their own State.

Seventh. Compel banks at least once a month to publish a statement of the actual cash in their vaults, the amounts owing by them to other banks, as well as what other banks owe them.

Eighth. Reduce the percentage that a single firm may borrow of the loanable funds of a bank.

Ninth. Prevent banks from paying more than 2% interest on deposits.

Tenth. Forbid the investment of deposits in securities which mature at a more distant date than three months. This would cut out bonds and stocks.

Eleventh. Withdraw the function of issuing currency notes from banks and replace such notes with legal tender money issued directly by government. Also provide for disposal of Treasury accumulations as suggested under the head of "A Rational Money Plan."

Twelfth. Establish Postal Banks.

The recent action of the banks in refusing to pay depositors their money when due, that is, on demand, suggests the question, why should not all debtors at all times have a few days of grace? It is a well-established fact that values are more staple, where there is a long period of redemption from mortgages. These statutory redemption periods are good alike for lenders as well as borrowers and especially for the general public through prevention of panic. Why, if one owes a note or obligation, not give him twenty to sixty days' grace, with a reasonable penalty, not of court costs, but increased interest? It would save many good men from failure. If good for banks, why not for the people?

In States where there is no redemption from real estate mortgage sales, values are seriously impaired thereby. The maker of the loan seldom really wants the money, but forecloses while he is frightened.

Is it not the duty of law makers to restrict banking to its safe and useful function?

Properly restricted, banks are a useful and powerful aid to industry, prosperity and progress.

A bank's proper function is to have a knowledge of its customers' proper standing and trustworthiness; to have such capital, and conservative and honest management as causes people to place confidence in it; and to lend its endorsement, backed by this popular confidence, to those customers, by giving them a reasonable amount of credit, limited by the legitimateness of the purpose of their use of it, and by the bank's capacity after maintaining a conservative reserve.

No interference with such function should be offered by legislation, but should conservative restrictions reduce the average net profits of banks from what they have been commonly earning, 10 to 12%, I cannot see that great hardship would be done them. At any rate, the public has a right to demand legal protection against the present panic-breeding system.

No great permanent progress can be made by labor in securing its rightful wage; no sure promise of safety can be made to conservators of true capital for its safety from loss, while banks may, in response to the criminal gamblers of Wall Street, inflate credit and currency beyond all bounds, with the resultant annihilation of both credit and currency. This leaves honest industry not alone without credit, but without a medium of exchange, and by such disorganization almost entirely without a market.

Let industry grow up on a broad solid "*Concrete foundation,*" and there will be a chance for permanent progress and reform.

But currency and banking reforms will not prevent Concession from absorbing Rewards of Production in proportion to the increase of prosperity, and thereby finally curtailing output and causing depression. Such reforms can only prevent such sudden and violent collapse. Money reform will prevent the wild inflation of debt and largely prevent stock jobbing. But no system of money will prove a total cure for the evils of Concession. These evils exist under all kinds of money systems, but to prevent panics means much.

CHAPTER V.

The Importance of Industrial Corporations.

BANKS, by reason of government patronage and the special privileges or concessions they have obtained, hold a place in the commerce and industry of to-day far beyond what is normal or safe. They are the cause of an application of capital by the loan avenue, dangerously in excess of what is natural, economical or safe. Buying shares (not bonds) of joint-stock companies, thus applying capital directly to productive purposes without the incurring of debt or credit, is a far saner, safer, and more direct and economical method than by lending it to (depositing it in) banking concerns and trust companies constituting them a "blind pool" to relend it to others, to again relend or invest it for the purchase of capital. The corporation, both small and large, is one of the grandest forms of civilization's blessings.

Dr. Lyman Abbott, addressing the People's Institute at New York on the "Coming Age," caused a sensation by declaring that corporations were tending to fraternalism in industry. He pointed out that the stockholders of the greatest trusts had increased from hundreds to thousands, and said that if the number continues to increase, it will mean that the ownership of these gigantic corporations will be distributed more and more. He said:

"Do not destroy corporations, if they will manage things for the good of the whole, and the people can make men to manage these interests properly and do away with the evils that exist in them to-day. As examples of the fraternalism which I say is coming, I might point to President Roosevelt's proposed tax on inheritances, Bryan's proposed tax on incomes, Henry George's proposed tax on all natural opportunities and the whole country's proposition that the people shall operate the great highroads of the United States."

Civilization—brotherhood—impels men to have mutual interests, to trust each other. This suggests another unfortunate reason for the abnormal volume of bank deposits, that is, that the unscrupulous methods of some of the great stock manipulators prevent investments in stocks.

Corporation scrutiny and restriction is coming, none too soon. The mistaken outcry against the mere magnitude of corporations we have heard for so long is wasted energy. But it is of the greatest importance to society to have all capital employed at useful work as well as all labor. A thousand people with $100 can furnish $100,000 capital if it may be collected together. But corporations offer a better, steadier and more direct process of applying this capital than do banks. The industrial corporation may not preclude the need of banks, but rightly restricted it would take their place in a large measure as a place of deposit for capital.

But to be reliable they must be restricted against issuing bonds. Bonds help make panics. They create the disturbances from the change of interest rates. If corporations got their capital entirely from the sale of stock, they would have no trouble from high interest rates, for then would dividends also be high.

By far the larger portion of debt consists of corporation bonds; they pay no larger per cent. when there is prosperity, as they usually run for long periods. Companies do not wish to sell bonds for a long period at high rates, when hard times may reduce income in a short time. Hence we see the great railroads and industries trying to get capital by overloading banks with short-time notes, thereby tempting fate and panic. Corporations could at all times sell their stock to make extensions or betterments, if they owed no bonds and were free from clique manipulation. If they were free from debt they could continue a large degree of operations during the most depressing times.

Millions upon millions of bonds are issued in good times with no limit but the ability to sell them; then as a matter of course when depression comes they cannot even get money to pay current expenses. An individual almost universally limits his debts to what he thinks he may safely pay. But a corporation having no personality has no personal liability. The stockholders in control often over-issue bonds, buying them at a few cents on the dollar for the sole purpose of foreclosure. Then they sell their stock, buy the bonds, and take the whole property under foreclosure, thus criminally depriving the stockholders of their property. Not only that, but the great mountains of bonds are in times of depression the great incubus on industry.

Private persons must go into debt. Business cannot be done without it, but it is not essential for corporations to go into debt. They may instead issue more stock. Stock is not a debt, but a direct partnership title. The State has a right to refuse to allow bond issues by corporations. The sole thing to be considered in granting corporation charters is the public's good. Any phase of their actions which is a public evil should be stopped. Bond issues are a great evil to the public in general and to the stockholders in particular. The gigantic robbery of stockholders through the graft of cliques has lately been a revelation to the public. In one instance especially, a clique issued bonds to themselves away below par and immediately marketed them at several millions profit. These graft swindlers are of several types. There is the same clique controling two corporations, having little interest in one, and robbing it to enrich the other, where they are large owners. There is the holding of the stock of one corporation by another. This is so palpably unnecessary and such an infamous means to rob the stockholders, and especially the public, that legislators have no excuse for allowing it.

But the crowning means of swindling is bonding and the resulting reorganization. A corporation should only be allowed to issue stock. Should its assets shrink, the law should provide that all stock should be surrendered and a smaller amount taken in exchange pro rata by each stockholder, in the same manner that increased issues are now alloted pro rata. By this means a quantity of stock could be taken from the stockholders and placed in the treasury to be sold to pay debts or acquire the new capital needed. There is no limit to the workings of this plan. A million-dollar corporation finding its assets shrunken to $600,000, and itself in need of $100,000 additional capital, could call for a surrender of 50% of all stock. Four-fifths of this could be canceled and the remaining $100,000 turned into the treasury. It would now be worth par and could be sold to get the new capital. Corporations should be compelled to maintain their stock near par. What a travesty on honesty to allow such a corporation to issue on top of its $1,000,000 stock another million of bonds to be sold for perhaps $200,000, making a total outstanding capitalization of $2,000,000 and only $800,000 real capital. No wonder Wall Street is rotten.

Prohibit corporation bonds; reduce stock to a par basis; provide that it shall be transferred on a public record, as real estate is. Charge a small fee for each transfer, not enough to deter actual investors in bona fide industries from buying, but enough to stop idle gambling. The corporations of the country are of vital concern to every citizen. It is very important that capital be available to output the abundant native wealth. Whatever increases the danger of investment obstructs production, makes the means of subsistence more difficult to obtain.

But what is the need for unlimited transfer of stock, in volume equal to the total of listed stocks in short periods?

This does not promote the legitimate interests of corporations, but only the interest of the stock gambler. The Stock Exchange is not an essential to corporations' real interests, any more than the infamous race track poolroom is of benefit to the live stock industry.

When corporations, whether engaged in industry, public service or banking, assume such magnitude as to be vital to public interest, they should be declared semi-public and the public's interest should be asserted and represented by a reasonable number of members on the board of directors.

If corporations were not loaded down with inflated issues on which the holders demand interest and dividends, they would not be compelled to cut wages or "lay off" employes with the slightest recession of business. If these issues were only allowed upon an exhibit in detail of their assets, the amount of growth in the value of franchises and monopolies would be disclosed.

We cannot, with safety either to industry or to the very existence of our government, much longer defer corporation reform. All industrial progress and government honesty depends on corporation integrity.

Not the size, but the conduct of a corporation is what demands attention. Large corporations are not essentially vicious, but when they are, they are capable of greater harm. They are also capable of functions vital to Society, which only they can perform, until such time as our legislative and executive bodies become sufficiently educated and honorable to give us public ownership.

Do not imagine that because you own no corporate shares you have no interest in corporate matters. Your interest is scarcely less than though you were a chief stockholder. The wage earner's employment depends on the right conduct of corporations, as does the merchant's success, or even the religionist's or reformer's progress. This becomes a more vital problem as business tends more and more to corporate form.

Will the patriotism of our citizens be sufficient for its solution?

PART SEVEN.

Right Use and Plenteous Supply.

CHAPTER I.

Waste and Want.

"Seemeth it a small thing unto you to have eaten up the good pasture, but you must tread down with your feet? And to have drunk of the deep waters, but ye must foul them with your feet? And as for my flock, they eat that which ye have trodden, and they drink that which ye have fouled with your feet."

A NUMEROUS school holds the theory that waste, by some subtle means, increases production. The theory is more than a subject for idle debate. It makes a virtue of the profligacy of the idle, which enslaves the industrious.

It is not so simple a matter as it might at first seem, to combat these advocates of waste. They embrace the multitude, yet the number who perceive the scientific truth is rapidly increasing. It is strange that intelligent people could ever hold to such an impossible theory. Yet it is common, though less so than formerly, to hear war advocated as promoting good times, to hear the liquor and tobacco traffics defended as helps to business activity. Persons apparently moral and honest will assert that the vicious and idle revelings of vulgar wealth help trade and commerce. The same school urges the appropriation of public funds for the most useless of projects, maintaining that labor is thereby employed and business improved.

From what inverted logic has such policy evolved? Partly by the blinding shortsightedness of greed. This selfish reasoning would welcome the grubbing out of orchards if it might profit from the wages of those thereby employed, regardless of the loss of future fruit; or the burning of fields of cotton or elevators full of grain to enhance the prices. Persons powerful in the councils of state advocate the encouragement of production with a view solely to the profit of industrial proprietors.

What reasonable motive can there be for production but to provide a supply for wholesome needs? Much, no doubt, is ennobling in the arts and avocations which produce. All nature abhors idleness. It is ever accompanied with degeneracy. But effort and exertion, without rational purpose, are not far removed from the nature of idleness.

One might suppose that these strenuous advocates of production, who care nothing for lack and distress, were moved by some exuberant flood of energy, which compelled them to "do or die;" but instead they are impelled by the most sordid greed. It is not passion to *create,* but to *get,* that moves them.

The normal inspiration to create is the desire to give, to bless, humanity. The "pay" or profit is a secondary consideration for a noble effort. This will not at first seem true in practical experience; yet who does not recognize the precept as true that an employe who "watches the clock" will never be promoted. Recompense—compensation subsequently—is certainly due, but is the secondary, and not the primary impulse. The wheels of commerce would stand still if there were no other motive than greed. None should engage in any work seriously without having in mind the utility of the result.

This school cares nothing for consumers. Who is hungry or naked is the least of their concerns. They are worried about retaining a market for some great grinding mill. The selfishness of such economists is the basis of their logic. Their school should be called "inverted economics." True economics seeks to find the underlying principles of commerce, that thereby commerce may furnish abundance to all. Are thousands starving? The true school seeks the cause.

Are people freezing to death in the streets of New York, a city whose wealth is the wonder of the earth? It asks what is out of gear. Those of the inverted school seek scarcity of what they produce that prices may be high. The extremists of this school will go to any lengths to cause such scarcity. Their favorite method is a protective tariff. Another is a high freight rate with a rebate. Trusts, combinations, graft and commercial slugging are among the methods of retarding output.

Hon. Leslie M. Shaw, addressing 700 students in the Harvard Union, prophesied a gigantic international trade war for the twentieth century, a contest which in bitterness would surpass the awful battles that were fought out during the century just passed with bayonet and powder. Said he:

"England, France and Germany have long been dependent upon their manufacturers for their national subsistence. We have long regarded ourselves as an agricultural nation, but at the present time we are manufacturing 5 per cent. more articles than we can consume, and our manufactures are increasing four times as fast as our agricultural pursuits. These figures plainly show that before long we, too, will have to be dependent upon a foreign market in order to support our manufacturers. We must have this market if we are to exist. So must England, Germany and France. The conflict will be an awful one. God grant that it may be bloodless."

But why in the name of reason should we wish our *manufacturers* supported when we no longer need their wares? And would not a normal infant ask why we should wish to send away our products except to procure the many things we desire, and to supply those who lack.

One of the priests of this creed was quoted in a recent publication as being in great apprehension because Japan is colonizing Manchuria with wheat raisers, and Korea with cotton growers.

Dreadful calamity to contemplate! Awful, cruel, barbaric Japan to undertake to feed and clothe her people! "But," says this priest, "it will rob America of her market in Asia for wheat and cotton." The same journal told of the freezing of poorly clad Americans.

Contrast such economics with the desire of a true economist to irrigate a new State, or to drain and put a sea wall about the Mississippi Delta, that our food and clothing supply may be increased. It may be safely said that America never raises enough cotton to plentifully clothe even her own people. Perhaps some day she shall, but never shall she be burdened by a single bale too much.

The following editorial from the St. Louis Post-Dispatch is logical:

"The Booklovers' Magazine for April published an article by Harold Bolce in which he took great pains to show that we have but a trifling share of the trade of South America, the Orient and Oceanica. The facts presented by Mr. Bolce are indisputable, but the inference he appears to draw that our manufacturers show lack of energy is entirely unwarranted. Mr. Bolce, like a great many other critics of the industrial situation, appears to be unable to grasp the idea that it is a big job to cope with the demands of a country growing as rapidly as the United States. When our manufacturers accomplish that successfully, they achieve infinitely greater results than those of any other nation. Mr. Bolce should not lose sight of the fact that the value of the output of American factories exceeds that of its three greatest rivals. We ought to felicitate ourselves, that we not only manufacture more, but consume more, than any other people on the globe."

Satisfaction is the ultimate of trade. Foreign trade that is natural is good. It gets nations acquainted and promotes good feeling. It is right for government agents to investigate foreign fields and report the situation.

Various industrial associations might do well to have agents touring our own States to educate users and report needs. Home trade is what counts in productive volume.

Think what interest is felt about Chinese trade. Some advocate the expenditure of millions of money, and men too if need be, to get it; while the others are in dread lest they shall produce what we wish to sell.

A daily paper remarks:

"The Pacific Coast views with alarm an alleged boycott by Chinese merchants against American goods. So long as Chinese immigrants are barred here," the tale of horrors runs, "so long will the Celestial merchant prince taboo our wares."

Terrible if true! China bought from us in 1904 $12,862,000 worth of goods, almost exactly 3 cents' worth for each of her population. There is in Europe a little country smaller than Texas, 19 times smaller than China, that bought of us in the same year $213,723,000 worth of goods, or $3.85 per person. That country is the German Empire.

A Chinaman at home patronizes Uncle Sam's shop to the enormous extent of 3 cents. Every German spends in it nearly $4.00 a year. Yet we are pouring out money by the hundreds of millions for power and prestige on the Pacific, with fatuous eyes fixed on "the future trade of the Orient," and don't even take the trouble to frame a reciprocity treaty when our present trade with Germany is threatened with serious diminution. Was ever commerce with such folly sought—or shunned?"

This paper might further have asked, How much does the average American patronize Uncle Sam's shops?

The best basis of business, either individual or national, is to provide those things that shall well and truly supply wholesome needs, and take little thought of markets.

The following is a most sensible and broadminded view of the future of Pacific trade:

"As industry develops—when Japan and even China become really great manufacturing countries in the modern sense, and especially when the great natural resources of China begin to be developed and the habits and wants of the people become more numerous and complex, as the habits and wants of all peoples do in proportion to the development of their industrial life—a trade will grow up across the Pacific analogous to the trade that now goes back and forth across the

Atlantic. Our best customers now are those nations that are furthest advanced in industry—England, Germany and France. This great law of commerce will not be changed because the Japanese and the Chinese now have cheap labor. If Japan proves equal to her great industrial opportunity, as she proved equal to her military necessity, the whole world will profit by the development that she will set going."

A narrow view in one's personal affairs might be expected, but for those posing as statesmen to advocate restriction of production and wasteful methods is little less than criminal.

Individualistic selfishness that takes no cognizance of the interest of others, nor of the intelligent self-interest resulting from the general welfare, sees no difference between being employed, to build, plant, develop; or to devastate and destroy. But there is a widespread cause for this false reasoning. It is based on the universal economic slavery of the masses to those who govern the means of production —the natural materials of which wealth is made.

But greed forges its own chains. Its only view is that of the chance to be employed. The chance to use some of the wealth that arises from these natural stores or sources, by getting it as wages. They care not whether their work may produce or destroy so long as wages are paid. Does the worker in the distillery or brewery think of the ruin his productions are causing?

On the other hand, the employing class have, under this abnormal situation, come to regard themselves as the benefactors of those they employ, holding the employed as under obligations to their employer, instead of the employer being lucky to have someone to relieve him of his task.

A dear good lady in telling of the difficulty of getting washing done in a certain place, said she finally found an old colored lady who said she was very busy but would "try by working late into the night" to accommodate her next day. Whereat this good lady became indignant and told the colored lady she did not wish to be "accommodated," that she wished to pay. Her friend to whom she was talking took her to task and asked by what logic she thought it other than an accommodation to have the woman go to such extra pains to do her work. We do not resent a bank's "accommodating" us, even though we pay interest and our security is good.

A foolish justification of waste is that it puts money in circulation. "Wait until he is dead, his boys will put his money in circulation" is a common remark. Now it is quite true that many men of means are too cautious of investing in progressive things, but it is not true that rich men keep a quantity of *currency* idle. They often do great injury by keeping *resources* idle.

"The money is not wasted" is a common expression. It is as though one should watch a child with a cup dip up cream from a vessel and pour it into the sewer, and should say, "Oh, the cup is not wasted."

Money is only a cup to dip and measure wealth.

A man of great prominence expressed himself in one of the magazines that the heirs soon diffuse the estate among the community. As well might we say a conflagration diffuses the wealth consumed among the people of the community. How foolish! When $1,000 is spent foolishly it is not in the slightest a question of money. That much value is annihilated. Rich people spend little currency; *have* very little compared to their expenditures. They spend credit and redeem it with property. A fortune spent wastefully is a fortune lost to the whole world. Some may profit by easy bargains with such heirs, but such bargains are mere incidents; while a carefully managed estate is likely to be a source of continuous benefit to the whole community.

There is no benefit in the mere process of money circulation. Money circulation usually accompanies, arises from, exchange; but exchange may, or may not, be part of the process of wealth production. A race track is a place where much money changes hands. Yet it often results in the failure of many useful business enterprises through money lost there. Certainly the whole expense of maintaining a race track is a total loss; besides there is the loss of time of all patrons.

The function performed by money is perhaps the most misunderstood of all the things with which man comes in constant contact. These confused theories constitute money-spending a creator of wealth, even when its effects are the worst form of wealth destruction and waste of labor.

Wealth is a stream supplied by production and exhausted by expenditure. Little accumulates. Of the year's production but a fraction remains at the end of the year. Its expenditure is divided between reproductive capital and ultimate consumption. Consumption embraces normal use and lavish waste. Production promptly responds to the *class* of consumption by replenishing the various kinds of commodities in proportion to their exhaustion; hence consumption determines the character of production. An overconsumption of luxuries tends to an underproduction of essentials. This power of directing industry is exercised not alone by the ownership and superintendence of factories, fields or mines, but by simple money-spending. How the owners of a large income are in a position of power is well illustrated by one having sole direction of a supply of water. Such a person might, by the opening or closing of sluices, turn all the water to the turbine wheel to produce electricity, or to pleasure grounds and parks, to please the whim of some Croesus, leaving millions of people perishing for water to drink. Or by properly seeing and doing his duty he could so distribute the precious resource in his charge as to give ample supply for necessity and reasonable pleasure.

Does not the buyer of shoes direct labor and capital to making shoes; the buyer of horses to the growing of horses;

the buyer of beer to the making of beer, and of bread to the making of bread? Ships make travel and travel makes ships. To use the eloquent words of Ruskin, "For you who have it (riches or property) in your hands are in reality the *pilots of* the power and effort of the State. It is entrusted to you as an authority for good or evil, just as completely as kingly authority was ever given to a prince, or military command to a captain."

But this grand man did not perceive the limitations of industry; for economic science was yet young in his day. Hence, the error of the further statement he makes. "And according to the quantity of it (wealth) that you have in your hands you are the arbiters of the *whole issue.* Whether the work of the State shall suffice for the State or not depends upon you."

Many think that industry depends on the capital of the rich, instead of seeing that it depends upon the *permission* of those who dominate natural resources. To think that the liberal patronage of an industry by the rich, the spending of money for luxuries and service, adds to the total employment of labor and capital is an error not to be wondered at. This patronage certainly employs those directly concerned and makes the industries patronized more prosperous, as we have just pointed out, but it does so at the expense of other industries.

Goldsmith, inspired poet of economics, had a clear conception of this truth and plead with the people of his day in these sublime lines:

"Ye friends of truth, ye statesmen who survey
The rich man's joys increase, the poor's decay
'Tis yours to judge, how wide the limits stand
Between a splendid and a happy land.
Proud swells the tide with **loads of freighted ore,**
And shouting folly hails them from the shore.
Yet count our gains, this wealth is but a name
That leaves the useful products still the same
Not so the loss."

In other words, be not carried away by the delusion that a large foreign trade, that high prices for land, high rents and rates, much building of mansions and skyscrapers mean plenty. "Yet count our gains," sit down and figure, "This wealth is but a name." "Not so our loss." It is but too real. Visit the tenements of the poor. See who is deprived to provide these things. Look for the coming panic, the paralysis that must inevitably follow this unhealthy trade.

The beneficiaries of privilege are skillful at misrepresentation, as Ruskin says, "By concealing its own fatality under aspects of mercantile complication and expediency, and giving rise to multitudes of false theories based on a mean belief in narrow and immediate appearances of good done here and there by things which have the universal and everlasting nature of evil."

In a previous chapter I have pointed out the conditions that place the final limit on output. Output as a whole is not limited by lack of capital, nor is employment of labor limited by such lack, but even were it so limited, spending money for luxuries is not applying it as capital. Output is limited by *preclusion of resources,* to a point below the minimum "wage margin," that is, by holders of concession holding out for a share of the output that leaves producers less than they will continue working for.

Of course, all holders of concession do not hold out for an excessive share, nor do all producers decline to produce but at the margin this thing is done. A price is asked for lots that builders or users refuse to pay; railroad rates are so high that a certain product cannot be produced and pay them; excessive rents cause merchants and farmers to fail, so output is limited at the base.

When concession holders raise their demands so that there is not left of the product enough for the standard minimum of wages and interest, production declines. This rebellion is begun by capital, rather than labor. Owners of capital say, "I can see no profit to be made by me, after paying such rent or rates. I shall sell my stock and quit;" or they refuse to begin new propositions. This is the limitation of the basis of industry, this establishes the extent of production; establishes how much grain is grown, how much ore is mined; determines the *volume* of the output at its *source.*

Now, to divert a large percentage of this determined volume of grain, cotton or ore to purposes of waste, tends to enhance the cost of the share needed for essentials. The Czar of Russia wisely forbids the export of grain, to minimize the extent of famine, even though he does little else that shows any economic wisdom. By the same reasoning the lumber, cotton or food products wasted, increase the distress of the poor. Goldsmith puts it,

> "Around the world each needful product flies
> For all the luxuries the world supplies."

So the rich whose income is from grain and whose consumption of it for food is a minor part of their personal expenditures, wish to have it high priced so it may purchase, when exported, much silk or wine or diamonds. But the comfort of the masses demands abundant and cheap food products.

Of course, in an intelligent consideration of this matter of vulgar waste, the question is not whether it is better for the rich to get their income and bury it, or to expend it for personal luxuries. That might be debatable, but there is little tendency for them to do this. Any normal person with an annual income of a million, will either invest it again in industry, or in lands, franchises, etc., with a prospect of increased value, or in personal luxury. It is so uncommon as not to be worth considering for them to habitually turn it into cash and lock it in a vault, or to take it in the form of grain or ore or lumber and store it away indefinitely. The question then is between spending in wasteful luxury or re-investment.

Now, what are some of the things bought for personal luxury? It is a pretty poetical theory that the "ladies and gentlemen bountiful" go into the highways and hedges and hire the poor and destitute to provide these luxuries, but can such employes make extravagant gowns or autos, build mansions or do high-class catering? No. The rich buy the output from the best in labor as well as materials. But there is a phase of this luxury that Goldsmith saw, even in his time, and it grows worse each year:

"The man of wealth and pride
Takes up a space that many poor supplied;
Space for his lake, his parks' extended bounds;
Space for his horses, equipage and hounds;
The robe that wraps his limbs in silken cloth,
Has robbed the neighboring fields of half their growth."

The largest item of extravagance is in land and its basic outputs. Now in this last is where the great error is made. The employment of labor and capital, the sum total of its output or product, is not dependent on the owners of Wealth (real *Wealth* as defined in economics) nor on the spending of money, but on the *margin* of *opportunity* which is left open to producers. This is determined by the standard of wages and interests, which producers demand and are able to enforce. This law determines the total of the volume of output, even as the capacity of the sources of water supply determine how much is available in a district. Mere spending of money with its resultant employment of labor to maintain the supply of such things as are bought, does not increase the sum total of output.

But spenders of money—final purchasers of finished product—consumers, determine in what proportion to each other various classes of products shall be made. To use the words of Ruskin again, "By the way we spend it (money or wealth) we entirely direct the labor of these people during a given time." Or more correctly, we direct the application or proportion applied to each of various lines, of an otherwise determined volume of producing capacity, limited as we have seen by the laws of wages and *Preclusion.* Continuing he says, "We become masters or mistresses and compel them to produce within certain periods a certain article. Now that article may be a useful and lasting one, or it may be a useless and perishable one—it may be useful to the whole community or useful only to ourselves. And our selfishness and folly or our virtue and prudence are shown, not by our spending money, but by our spending it for the wrong or the right thing, and we are wise and kind; not in maintaining a certain number of people for a given period, but only in requiring them to produce during that period the kind of things which shall be useful to society, instead of those which are only useful to ourselves."

Our Sunday papers a while ago gave us a story of a New York millionaire's daughter who considered herself a great benefactress because she expended $100,000 annually in dress. She boasted of working 1,000 women making her gowns. Think of it, one thousand women, toiling, struggling in pent-up tenements; their babies neglected and their own household duties left undone, all to provide clothes for the back of one useless, idle woman! Yet she asks: "What can I do better with my money?"

Indeed, what can a vain, thoughtless, idle woman do with half a million or more a year? It is indeed a problem. But no harder to answer than the question, "What right has a vain, idle, thoughtless woman to have so much wealth come into her hands each year?" Let not the reader think that the expenditure of money is hereby condemned. Wealth is only for use. But one should distinguish what is the best use, and should not be blinded by false theories when making such distinction. Ruskin says:

"I don't say you ought not sometimes to think of yourselves—only do not confuse 'vanity' with benevolence nor cheat yourselves into thinking that all your finery is so much put into the hungry mouths of those beneath you; it is not so; it is what you yourselves, whether you will or no, must sometimes instinctively feel it to be, that so much has been taken out of their mouths."

If we perceive the scientific fact, demonstrated in the chapter "The Domain of Use," that the whole volume of the output of wealth is fixed by the extent of such Domain; that the supply of capital put into industry is always as much as these *"rates"* will allow to have a reasonable increase; and that currency circulates in *response* to the volume of output, then we may clearly see that whatever absorbs part of this determined output, without satisfying wholesome need, must inevitably cause some to suffer lack. It is simply a proposition of subtraction. What, then, is the distinction between a proper use of one's income and the dissipation of it in criminal extravagance? It is largely to be decided by one's own conscience, but a little consideration may help to an intelligent decision. Epictetus said:

"What you avoid suffering, do not attempt to make others suffer. You avoid slavery; take care that others are not your slaves. For if you endure to have a slave, you appear to be a slave yourself first. For vice has no community with virtue, nor freedom with slavery."

The first question to decide is what *moral* right we have in the income which the "rules of the game of trade" have thrown into our possession, for legal title is not essentially moral title. A certain person when asked to pay a debt, said that the statute of limitations had relieved him of liability for it. He was told that there was no statute which *hindered* one from discharging an honest debt. Just so, there is no law to prevent one from rectifying the receipt of gains, which are legal, but unmerited.

First then, we should study the source of our income, whether it be *just;* does it come from excessive charges? Does it come from hindering instead of promoting industry? Then we should be careful to discriminate in expenditures for our personal satisfaction, between what is really excellent and what is merely display; between what has real artistic merit and dignity of form and color, and what simply has the form of the dollar mark, and the glitter of gold.

It is said by a critic of architecture that the mansions of the Russians excel the modern mansions of any other land, in both their size and the extravagance of their interiors. Is not this fact consistent with the universal motive of extravagance? In proportion to the depressing and enslaving methods by which income is wrung from toilers, such is the extent of its flaunting in the faces of those who are oppressed. This taunting impudence reached its limit when the French Revolution burst forth to rebuke it.

"O, luxury! thou curst by Heaven's decree,
  How do thy potions, with insidious joy,
Diffuse their pleasures only to destroy!
  Kingdoms by thee, to sickly greatness grown,
Boast of a florid vigor not their own:
  At every draught more large and large they grow,
A bloated mass of rank unwieldy woe;
  Till, sapped their strength, and every part unsound,
Down, down they sink, and spread a ruin round."
—Goldsmith.

To accumulate wealth, to be surrounded by what is excellent in architecture and art is commendable; but first look to the moral rightness of your revenues, and even though it be beyond criticism, do not think that you have still no obligation to society in its expenditure; this wealth is only relatively yours.

How can you best meet this obligation? That is your problem. To give it away to the individual poor is not always well. Your *business* may offer the best opportunity. Do you own lands, or franchised industries? Perhaps you can serve your fellow-man best by using your wealth to promote the greatest possible output therefrom in quality and quantity. Or by developing the highest standards of excellence in the sanitary, moral and intellectual condition of your employes, which may be done by a reasonable investment of your wealth. If your income is from tenements, do the tenants get all that is due them? He who has the right motive need not be long in finding investments in philanthropy which will not only not exhaust themselves, but which will increase in their usefulness as time goes on. Mr. Spreckels of San Francisco has made one of the grandest of such investments in furnishing funds to prosecute graft.

To broaden the field of effort by drainage and reclamation; to support efforts to divert population from big cities to small ones through better surroundings, thus remedying the awful results of the greed which entices them to such cities, are suggestions for such use.

Whatever conserves natural resources for the best and largest use, whatever extends the *range* of their utility, broadens the field of output and blesses all.

Every laborer should take an interest in the greatest development of our natural resources and the protection of them from waste. Timber, mineral and water reserves should be regarded as his capital. Irrigation, drainage and reclamation benefit all. Waste of public funds is his injury. The eradication of graft is labor's only hope. Such waste as intemperance in intoxicants or extravagance of any sort is an injury to labor. Why? Because there is just one pair of hands to feed each mouth if all work.

When the extravagance of the rich is condemned by the poor it will soon be corrected. Do not the large majority of the poor covet wealth for the same purpose? *They* need to learn the true spirit of ownership as much as the rich. They have it in their power to direct by their votes the expenditure of public revenues. They should appreciate this responsibility. This one effort on their part would soon ameliorate the worst distress. The sums now expended on navies would open up vast resources if spent on good roads, or deep waterways, or railroads, or drainage. The land and mineral resources the Federal Government allows to be stolen would, if saved, yield revenues to transform our land.

Many think that the employment of labor on wasteful production and extravagance is good for wages. Do you not know that the million dollar yacht and the locomotive to bring you coal cannot be built with the same labor or material?

Now, if the work of a larger percentage of laborers is diverted to serving the very rich and the very wasteful, it must leave the number so much lessened, who provide the food, clothing, etc., needed by the common people.

Hence, by the law of supply and demand, it is enhanced in price, is harder to get. Suppose that a wealthy class constituting but one per cent. of the people should hire ten personal servants each. That would be twenty per cent. of all the labor. Then suppose that they should consume 50 per cent. of the goods produced. This would leave for 99 per cent. of the people the product of less than 40 per cent. of all workers, while this one per cent. consume the service of 60 per cent. Do you suppose that the common people could live as well? Two evils will surely result, long hours of labor and short rations to the common people.

Is it any of your business what another consumes? Indeed yes. It is the duty of every worker especially to look with disfavor on an increase of the ranks of personal servants. An increase of luxuries may come from an increase of scientific knowledge, but an increase of the number in servitude means a decrease of the free labor wherewith to supply our needs. What is the trouble now in this country? Immeasurable increase of output is accompanied by slight increase of supplies to the masses.

Where output has been multiplied by ten, use by the masses has perhaps not increased half. Where does the other more than eight-tenths of the increase go to? It is said by the press that the one room occupied by one of our millionaire's daughters married to a foreign title, cost about a million dollars in decorations and furnishings; that her servants were a small army of skilled men and women.

How many mansions are being built that cannot be cared for by less than ten or a dozen servants? What is that to us? Simply that it decreases the number engaged in production of those things needed by all, causing corresponding increase of price. Also it increases the probability that our children shall be servants. For remember that servants are not made of wood or iron, but consist of men and women. There is too much seeking of wealth from sordid motives.

We must learn the true consistence of *wealth* and that its enjoyment is not through the domination of others but through its wholesome diffusion. How many, after strenuously acquiring a profusion of property fail to enjoy it as they had expected they should.

"The ground of a certain rich man brought forth plentifully and he said * * * I will tear down my barns and build greater and there will I bestow my fruits and my goods, and I will say unto my soul (sensuous desires) : 'Soul, thou hast much goods laid up for many years; take thine ease, eat, drink, and be merry.' But God said unto him, 'Thou fool, this night thy soul (sensuous appetite or desire) shall be required of thee.' " "What shall a man give in exchange for his soul?" How can one buy the appetite to get pleasure out of things which no longer please?

Why do those becoming rich often find no pleasure in any of the things they had in view when striving for their riches? Because their motives were wrong while they were accumulating such things. Truly, "a man's life consisteth not in the abundance of his possessions."

But "the slothful man is brother to him that wasteth."

The effect of this law does not depend on the quantity of wealth but how it is used. He who had one talent which he devoted entirely to self was condemned, while he who had five and put them out at interest, or useful service, was blessed with larger means of usefulness. It is the duty of those possessed of much property to devote it and the opportunities thereby afforded to the service of humanity, and it is no less the duty of those without property to devote their efforts to unselfish service, and such devotion is usually rewarded with increasing supply of wealth.

CHAPTER II.

Governmental Reform and Individual Opportunity.

"And the government shall be upon his shoulders: Of the increase of his government and peace there shall be no end." —Isaiah.

*"And a King shall reign and prosper and shall execute judgment and justice in the earth * * * and this shall be His name whereby he shall be called* The Lord Our Righteousness." —Jeremiah.

ONE of the disciples on the way to Emmaus after Jesus' crucifixion despondently declared: "But we trusted that it had been He which should have redeemed Israel." The Jews, even the disciples, misunderstanding prophecy, expected Jesus to redeem them from the Roman power. Just before his ascension they asked Him: "Wilt thou at this time restore again the Kingdom to Israel?"

People commonly expect all reform to be brought by some "man on horseback," dealing destruction to those whom they think to be their oppressors. Jesus strove to remove this mistake from his hearers' minds by telling them "The Kingdom of Heaven cometh not with observation," "The Kingdom of Heaven is within you." "We wrestle not with flesh and blood, but with the powers of darkness."

Reforms come not down from organized authority, but proceed from the improvement of the dominant thought of the people up to the constituted authority. As Markham sublimely voices it,

"Nay for He comes to loosen and unbind,
To build the lofty purpose in the mind."

Then what object does it serve to learn the principles of economics? Does it do any good for people to learn how they are being deprived of the results of their labor? How their public officers are misrepresenting them? That courts are prejudiced by predatory interests?

It does much good; for error subjected to the light is powerless and truth understood will prevail. A public opinion based on science, on a knowledge of the truth, will correct public errors.

Is the inauguration of such reforms as Public Ownership, Initiative and Referendum, etc., essential to the correction of public abuses?

Yes and no. They are important because they represent the crystallization of the better thought, but statutory enactments are not the goal of reform movements. Statutes depend for their effectiveness upon the people, upon having the eternal laws of truth "written in the people's hearts;" upon an understanding of *what* is right, and *why* it is right. True popular government guaranteeing liberty and justice is attainable only through the self-government of the individual citizen and he may only succeed in governing himself by the apprehension and demonstration of the absolutely scientific divine principle of government, the "royal law of liberty." Enslavement is proportionate to the ignorance and selfishness and indifference of the enslaved, regarding their rights.

All law is fulfilled in one word: "Thou shalt love thy neighbor as thyself."

The conception of government as something far away is happily beginning to give way to a truer conception. We must cease to speak of government in the third person; government is "we"—not "they." The following extract from a recently recovered ancient manuscript, is said to be the words of Jesus: "Strive therefore to know yourselves and ye shall be aware that ye are the sons of the Father, and ye shall know that ye are in the City of God and *that ye are the city.*" The "city" was the common ancient expression for organized society. It is beginning to be recognized that the foundation of a city's prosperity is righteousness and not dissoluteness.

Government is not now so generally thought to consist in fort and navy, in policeman's club and grated cell, as formerly. This is evidenced by the advance of prison reform, juvenile courts, paroles of prisoners, and other methods which began with the great step of abolition of debtors' prisons. A police court in Chicago is giving a good demonstration of the superiority of "common sense"—true sense—over stereotyped foolishness in dealing with the violators of the law. This judge reasons with the delinquent ones as man to man; appeals to the good in them, points out the results of their mistaken conduct irrespective of statutes, and with splendid results.

I hope to see the day that no disagreement regarding property or service can come to a farce comedy court trial, until efforts to agree on the real truth shall have been exhausted, until after both parties to the contention shall have submitted in writing his full sworn statement of facts to the arbitration of three of their fellow citizens, with only the principals present, and without witnesses or lawyers. How little the law has to do with such matters as an agent's claim for commission, an employe's claim for wages, an ordinary claim for damages to property, or a debt for the price of property. These matters almost solely rest on reason, and to becloud them with great volumes of legal opinions is in itself a crime.

No better statement of government can be made than that by Ruskin. "Government is always twofold * * * visible and invisible. The visible government is that which nominally carries on the national business; determines its foreign relations, raises taxes, levies soldiers, fights battles or directs that they be fought, and otherwise becomes the exponent of the national fortune. The invisible government is that exercised by all energetic and intelligent men, each in his sphere, regulating the inner will and secret ways of the people, essentially forming its character, and preparing its fate."

If property owners make the laws and influence the courts and the press, does not this statement conflict with the one that public opinion is all-powerful? No. It confirms it. This predatory class but represents or embodies the thought of the community. The public is plundered by their schemes of greed only to the extent of the public's greed. It is greed in the majority which tolerates oppressive greed in the few. St. Paul says: "But if ye bite and devour take heed that ye be not consumed one of another." Greed cannot combat greed.

Statutory law, with its whole machinery of courts, lawyers and common law farces, is all a poor substitute for the power of a public opinion founded on righteousness. We do not depend on statutes to-day to prevent chattel slavery. Emerson tritely expresses it, "The law is only a memorandum."

"Evil is not power." When, for love of mankind and love of God, the light of truth is thrown upon what are supposed to be the impregnable fortresses of evil—as evil combinations of capital, grafting, political corruption, all forms of greed—these herds of swinish forces are seen to "rush violently down a steep place." Have we not seen the rush of corruptionists to panic and suicide in the last few years? "Evil is not power." The emancipation of mankind does not depend on human legislation. It must be first in the hearts of the people to get such laws, and afterward to make them effective.

A knowledge among the people of the economics Jesus taught, is a better guarantee of peace than navies and forts; a better guarantee of justice than much legislation; a better guarantee of the safety of property and person than immense prisons and police forces.

Seventeen men who put aside selfishness reformed Galveston. One man with honest patriotic effort started the reform in Missouri. Intelligent patriotism, civics, philanthropy, even true religion depends on a knowledge of the science of economics, for economics is one of the two phases of religion; that of our duty to our fellw man, "for he that loveth not his brother whom he hath seen, how can he love God whom he hath not seen?"

Says Governor Folk of Missouri in his Thanksgiving Day Proclamation:

> "Let us encourage industry and attack not wealth. Let us fight not men but the evil men do. Let us love not money but manhood. Let us preserve inviolate the principle of popular self-government; unite in enforcing the laws and counteracting any attempt to defy them. Let us realize that liberty to make laws does not mean license to break them; that the liberty guaranteed us is liberty under the law, not liberty against the law. Let us not array class against class, but preserve the rights of all by causing each to respect the rights of the other. Let us appeal not to cunning but to conscience, and remember that by making the public conscience clean the public life is made clean."

Hate does not promote liberty. Happiness and plenty are not guaranteed by material means, either by engines of destruction or construction. Says Marcus Aurelius, the wise pagan apostle of pure thought: "Look within, for within is the fountain of life, and it will ever bubble up if we will ever dig." When the Kingdom of Heaven is attained it will be from within. The icy barriers of greed which exclude humanity from its own, must be bombarded by wisdom and melted by love. Love is the opponent of aggression. According to Emerson, "Love is the only opponent of property as we now have it."

Says Dr. Washington Gladden in the Congregationalist:

"How great is the need of enkindling in the soul of the nation a great sense of the eternal realities—of the sacredness of truth, of the holiness of justice, of the nobility of service, of the divineness of humanity! O, can you not see—you statesmen—you publicists—you political philosophers—that the one vital need of this nation, at this hour, is the presence in the hearts of the people of that friendliness for one another which is the soul of justice and the only bond that can hold men together in fruitful relations? To fill human society with this great friendliness—this is the business of the Christian Church. This is what we mean when we pray. 'Thy Kingdom come, Thy will be done on earth, as it is in Heaven.'"

The comparative prosperity of two peoples is commensurate with the degree of their real Christian character, and is manifested in charitable and elevating works. The measure of this true civilization is indicated by their treatment of woman. Have you never known a man to complain bitterly of his poor fortunes or the long hours some enslaving employers compel their men to work, while yet he would himself sit idly by and compel his wife, whom he professed to love, to work fifteen hours a day for him and his children without raising a hand to help her? Is it to be wondered at that such men are poor? The more savage the man, the more his selfishness is manifested in overbearing force. Who gave man and not women the right to vote? One of our greatest living statesmen has pointed out the excellence of Christian ideals over Oriental ideals, to be the infinite superiority of Love, the vital force of Christianity, over reciprocity, the lifeless rule of the Oriental religion. Reciprocity does nothing without pay; Love thinks not of the pay but of the blessing it may impart and finds it "more blessed to give than receive." This is obvious in the more bountiful wealth of the Christian community, for is it not self-evident that giving adds to the sum of wealth while taking decreases it. In the degree that man discovers Love, God, he finds abundance, for "God is all." Christian lands are free from famines, which almost depopulate un-Christian nations.

Are they who suffer from poverty, then, morally or mentally inferior to those who enjoy affluence? This is not implied at all, for the grandest characters we know may be destitute of property, while those of greatest possessions may exhibit the meanest dispositions. Yet notwithstanding these apparent inconsistencies, it remains an uncontrovertible truth that poverty is an unnatural and deplorable error that we should earnestly, carefully and prayerfully strive to overcome. But we should be sure that in this effort to overcome poverty we proceed from true principles.

It is not enough that the pupil have the right answer attached to his methematical problem. He must have attained it by the correct principle, for him to truly benefit thereby. Likewise it is no conclusive proof of progress in the science of business that we get a quantity of property by indiscriminate means. It is essential to our ultimate good that our supply come as a result of the demonstration of right business principles. He who flatters himself on his wonderful progress in the knowledge of business may sadly need even the advice of his indigent brother, regarding the true solution of this great problem. "He that seeth his brother have need" and has no compassion on him, has certainly made little progress in the real science of success, no more has he who is unkind to his own family.

It is important to have an accurate statement of the relations and laws of wealth and production. It is very important to have legislation based on these natural and unchanging laws, but most of all to learn that "Love is the fulfilling of the law." Evolution of good government, of intelligent commerce, of all social progress is not the creation of something new, but the recognition of principles that were ever operative. This is true of mechanics and industry, just as it is true of the so-called evolution of man. Steam, chemistry, and the principles of engineering are not new. Man was *made* perfect, in the image of God. The Prophet

Isaiah thousands of years ago saw a perfect social status based on right or righteousness.

Considerable economic writing of late has been a vague presentation of a strange, mysterious god termed "social love," social evolution, whose "worship" is labor. These teachers point to the widening field of industry, the growing interdependence between people of the most remote corners of the earth. They also note the growing fraternity, peace and good will among men, and attribute them to the effects of this "social god," a god of blind energy expressed in work.

To such teachers let us repeat the words uttered by Paul in that grand outburst of eloquence on Mars Hill: "Ye men of Athens, I see that in all things ye are too superstitious, for as I passed by and beheld your devotions I found an altar with this inscription, 'TO THE UNKNOWN GOD.' Whom therefore ye ignorantly worship, Him declare I unto you. God that made the world and all things therein, seeing that He is Lord of Heaven and earth, dwelleth not in temples made with hands; *neither is worshiped with men's hands* as though He needed anything, seeing He giveth to all life, and breath, and all things; and hath made of one blood all nations of men."

It is not extension of the field of exchange that is promoting the brotherhood of man; but it is the extension of brotherhood through the teachings of Him who came to bring "peace on earth" that is making exchange world-wide.

Isaiah foresaw the time to come "that the mountains of the Lord's House shall be established in the top of the mountains, and shall be exalted above the hills; and all nations shall *flow unto it.* For out of Zion shall go forth the law and the word of the Lord from Jerusalem, and he shall judge among the nations and shall rebuke many peoples; and they shall beat their swords into plowshares, and their spears into pruning hooks, nation shall not life up sword against nation, neither shall they learn war any more."

The recognition of God as our Father makes us all one family; it destroys race hatred and *false* national "interests."

Love certainly prompts activity and useful effort, but there is no tendency in indiscriminate work to elevate the worker, rather a tendency in much of it to degrade.

We must learn both what *right* is, and what *riches* are. Riches, wealth, is not simply tons or pounds of freight. The word *wealth* is from *weal* or *well.* Its primary meaning as given by the Century Dictionary is prosperity, well-being, joy and happiness. To confine the use of the word more to material wares is a later tendency. Wares are only *wealth* in the degree that they promote well-being. Wares of great value to one advanced in civilization would often times be of no use to one lower in the scale, and *vice versa.* Many philanthropists have been discouraged because those whom they sought to help failed to use what was offered them. To a refined person, the lack of a bathroom in a house would seem a great privation, yet tenants have been known to use nice enameled bathtubs only as a storage for ashes. Wares are not happiness. Happiness is limited by them only according to our mental estimates. Some think tobacco and intoxicants wealth; many others think them what Ruskin terms "illth."

Current economics tend too much to a material conception of wealth. The conception of needful things as "property," an entity whose basis is hindrance to use, is the antithesis of the true idea of such things conveyed by the term "goods." "Goods" or "good" consists in the effectual expression of a benign motive to minister to need. This is the ideal conception, this fulfills the golden rule: Whatsoever ye would that men should do to you, do ye even so to them, for this is the law and the prophets. The common rule of property, which is directly antagonistic to this, might be rendered: Take ye all the traffic will bear, for this is the source of corruption and depression. How harmful these inverted notions are appears in the dire effects of thinking money to consist of metal, in the tendency to give more attention to taxing useful commodities than privileges immensely more valuable, in the inordinate desire to acquire immense houses and fill them with cumbrous merchandise, in the savage taste of some rich women to have innumerable dresses at a cost of fabulous sums, and most of their time and thought. These unfortunate tendencies are shown by our cities in sacrificing all that make them fit for habitation, to blighting, smoking factories, and in licensing nuisances for money; in the poisoning envy and jealousy of many poor toward the prosperous.

A message was recently sent 1,200 miles without paper, or ink, through air, instantly. Steam was always easily available, yet it was not always wealth. Where formerly it was thought essential that thousands of miles of unsightly fences, harboring obnoxious weeds, be built to protect farmers' crops, now a simple word of fraternity and intelligence expressed in a memorandum called law, protects those crops. Is not this intelligent word greater riches than the fences, that before had cost millions? Emerson says, "They only who build on ideals build for Eternity." Wealth arises not so much from muscular effort, or mechanical energy as from unselfish purpose to serve, to contribute. Production is more truly a discovering or revealing of riches than a creation of them. "Every good gift * * * cometh down from the Father of lights." Poverty is darkness.

Do not limit the success of your undertakings by the toil they involve, either as to your recompense or the good to be done. Success is not limited to the measure of the toil endured even from the ordinary commercial standpoint, for those who prosper greatest do not toil the hardest, nor does any moral law measure your reward by your toil but rather by the love you put into your work. Toil is necessitated by the number of our mistakes we must correct. Yet he who labors not seldom makes much progress; for we must "work out our own salvation." It takes work to root the errors out of our thought so that God may work through us. He who has the right motives in life finds little time for idleness. But the toil of many is like struggling to pump the water from an excavation without first shutting out the inflow from the sea.

We must not fail to do our work because conditions seem adverse. "He that observeth the winds shall not sow, and he that regardeth the clouds shall not reap." The successful man is one that continues to do his part regardless of good or bad times. "Cast thy bread upon the waters for thou shalt find it after many days." "In the morning sow thy seed and in the evening withhold not thine hand." Some persons never expect to have anything, perhaps because they work with the wrong motive.

St. James writes: "Ye ask and receive not because ye ask amiss," for the purpose of consuming it in selfish indulgence.

Jesus emphasized the importance of motives to our success in acomplishment when, teaching how to pray, and made His meaning unmistakable by the following illustration: "Which of you shall have a friend and shall go unto him at midnight and say unto him: 'Friend, lend me three loaves, for a friend of mine in his journey is come to me and I have nothing to set before him.'" Continuing He points to the inevitable result of such an appeal; that though he will not supply you because you are his friend yet because of the worthy motive which prompts your seeking—the desire to minister to another's need—he will give you as much as you need.

What great wealth would be secured to us if we could look to the purpose of our work rather than the pay. Wealth consists in thought and action. You *cannot* give "that which is holy unto the dogs, neither pearls to swine." Has not improved machinery been burned by those who thought it harmful, and are not all progressive ideas resisted by communities and persons not yet ready for them? Ingratitude both to God and to man, for what we receive is the principal cause of poverty.

Many are thought to be rich and think themselves "rich and increased with goods" when they are "wretched and miserable and poor and blind and naked." Confidence, honesty and brotherliness are better than expensive courts to guarantee justice. Friendship and love between nations is better national wealth, than forts and navies.

Nothing is more evident than that "a man's life consisteth not in the abundance of his possessions."

It is remarkable how the beautiful, simple, scientifically economic teachings of Jesus and the scriptures have been misconstrued by professing Christians, and made to justify the most infamous industrial practices and to condemn the most worthy motives and acts in connection with the procuring of wealth; and on the other hand how the economists of high motive and rational theories have condemned the Christian teachings as opposed to the welfare of the honest worker. Christianity and economics are inseparable; attempt to divorce them and you have neither.

Religious teachers have persistently interpreted scriptural statements to condemn wealth as an evil *per se;* then again they have justified slavery thereby, and preached submission to every evil and oppression. The most plain and sacred promises in regard to God's providence and abundant supplies for all our needs, have been nullified by giving them a figurative meaning, while others have been narrowed from a broad meaning to one of narrow and mean import. The passage "It is more blessed to give than to receive," and "The Lord loveth a cheerful giver," are almost stripped of meaning when construed to imply only the contribution to church funds, or for that matter, when such giving does not include the giving of kindly service which is possible to all. It is only necessary to read the beautiful precepts and principles stated by Jesus and His disciples, and the Prophet Isaiah particularly, and to take the meaning of their words given by Webster's Dictionary to have a most beautiful Science of Economics. Truly, much of the scriptures have a double meaning, as have all profound writings, but it is as wrong to rob them of their literal meanings, as of their scriptural. Take the word "bread;" sometimes spiritual strength is plainly implied, other times subsistence, or only food; other times both spiritual and bodily subsistence is meant.

In the 6th chapter of Matthew we have the grandest economic teaching ever given to poor, tired, worrying humanity: "Take no thought for your life what ye shall eat or what ye shall drink; nor yet for your body what ye shall put on." There can be no question that literal subsistence is here meant; there is no double meaning nor any figurative meaning. He means just plainly what he says. Further on he says: "For your Father knoweth that ye have need of these things." It is as one might say to a little boy at his grandmother's: "Now, don't worry nor ask about when you are going to have dinner, or what you will have; Grandma knows you haven't had your dinner."

Is it not as plainly a violation of this command to be worried by poverty, by the lack of the wholesome instruments of harmonious activities as it is to be unduly strenuous to pile up wealth? We should no more let the *lack* of things dominate us than we should allow their possession to hinder the true purpose of life.

Jesus had no accumulation of property. He had "not where to lay His head," yet he was not troubled by lack of a boat; He walked on the water; nor for lack of bread to feed the multitudes; He got the coin from the fish's mouth to pay the tax to Caesar which he declared to be unjust."

Then Jesus makes the one grand vital statement of all true economics: "Seek ye first the Kingdom of God and His *righteousness* and all these things shall be added unto you." Manifestly there is no meaning to this when we construe "seeking the Kingdom of God" to mean only a place to go to after we are dead, for how could food and clothing be added to our bodies after we are dead? This is not a bargain to "pay" food and clothing in return for believing something or doing something. It is rather a scientific proposition; just as a teacher would say to a pupil: "Take a base of 8, a perpendicular of 6, and a hypotenuse of 10, and you will have a perfect right angled triangle." Henry Drummond rightly teaches that the Kingdom of God is a kingdom of *cause* and *effect.* He says science must include the infallible spiritual laws. *Right* not simply secures *riches.* *Right* is *riches,* true riches, but not property.

Because Jesus and His disciples refused to counsel the suppression of certain evils by violence, their words have been construed by some to justify such evils. Paul says: "Servants be obedient to your masters according to the flesh * * * not with eye service, as manpleasers, but as the servants of Christ doing the will of God from the heart." This has been construed to uphold slavery, though nothing could be farther from the truth. When Jesus was asked to interfere in the settling of an estate by one who thought he was not getting his fair share, He asked: "Man, who made me a judge or a divider over you? And He said unto them take heed and beware of covetousness; for a man's life consisteth not in the abundance of the things that he possesseth." While Jesus was the greatest economist, His mission was not to introduce reform in legislative measures, not to right abuses by force, but to teach men truth and love, which would of its very nature make them free. Isaiah prophesied of Him: "He shall not strive nor cry, neither shall any man hear His voice in the street; He shall bring forth judgment unto truth, He shall not fail nor be *discouraged* till He have set judgment in the earth."

Most economic writing is too much discouraged and discouraging, but it cannot be otherwise when it looks only to human legislation for relief.

Jesus did not decry the production and use of wealth. He warned against its hoarding and its worship. How many find "when they have much goods laid up for many years" that they have no *soul* or *sense* of enjoyment of them. "Lay not up for yourselves treasures upon earth where moth and rust doth corrupt, and where thieves break through and steal." But lay up treasures in heaven—harmony, righteousness, right thinking, understanding, the satisfaction of good done.

The old Scotchman who, after he had become a bankrupt, was reproached with having been too liberal with his benefactions replied: "Ah, that is the only part of my fortune I have left; I can't lose that."

Waste must not be confused with liberality. "The vile person shall no more be called liberal, nor the churl said to be bountiful. The liberal deviseth liberal things, and by liberal things shall he stand." It is common to hear the giving of public wealth embraced in franchises, to rich corporations, endorsed by the same persons who urge the poor to be satisfied with their meagre supply.

Wealth is wealth as light is light only when it is diffused. Nature abhors the storing up of wealth. How few things can we heap up without they decay. "Take therefore no thought for the morrow." He said to pray "give us *this day* our daily bread;" in other words, replace anxiety with love, for "perfect love casteth out fear." "Cease to do evil, learn to do well; seek judgment; relieve the oppressed * * * if ye be willing and obedient, ye shall eat the good of the land." Righteousness tends to the flow of prosperity, just as a straight channel tends to a rapid flow of water. Is it not obvious that the promotion of dishonest schemes is what destroys the confidence of investors which is the life of business. The savage depends on brute force for subsistence, but men of the higher order depend for their supply on right thinking back of their efforts.

It may not be at once apparent to the man with whom all seems to have gone wrong, how he may be enabled to supply his needs through the use of correct principles and perfect ideals. We have become educated to believe that such supply depends on some intensely material process and then strangely enough make this process dependent on getting a vague metaphysical entity called money, which to the common thought is an infinite power from a mysterious source.

Is not business more entirely a mental and moral process than we are wont to think?

By what rule shall we attempt to measure business success; surely not by muscular strength, scholarly attainment, nor years of practice. Does it not absolutely depend on our relations with nature and with our fellowman, and do not such relations depend on right principles? Do not moral, mental or spiritual forces, rather than material, inspire public confidence in a person or give him faith, judgenment forsight or skill; give him power to overcome fear, hate, suspicion, greed and deceit, which disturb his business relations and weaken his efforts in all directions.

How important then that we have definite dependable principles as a basis for our rules of business. This is coming to be appreciated as never before as was well expressed in the following extract from a recent issue of The Outlook.

"Many people are so confused by the flotsam and jetsam on the surface of the great political and economic movement which now absorbs the interest of the country that they fail to discern its fundamental and intensely ethical spirit. When the incidents and accidents, the foam and froth, the invective of the demagogue and the anathemas of those who are defending what they believe to be their private interests, are put out of the way, it grows more clear every month that we are in the heart of a great moral movement as significant as any that has taken place in the history of the country. This movement has not come in a day. It is not a mere revolt against the oppressive economic conditions, nor is it simply an insurrection against political bosses and robbery. It is a quickening of the conscience of the people, and an attempt sometimes instinctive, often blind, but with a great wisdom at the bottom of it, to bring the business and social life of the country into harmony with moral ideals. The churches have had much to do with this movement, but not nearly as much as they ought to have had. They have not led it. At the first glance it appears to have grown up very largely outside their walls."

Business is commonly spoken of by religious teachers as though it were something to be avoided by Christians, as something closely allied to outlawry. But this is due to a mistaken notion of business, to that common conception of it which has greed and aggression as its dominant forces. True business is a holy occupation.

Our business should be our best and widest field for demonstrating God's kingdom. This was St. Paul's thought when he wrote "I beseech you that you walk worthy of the vocation wherein ye are called."

It is commonly held that Christianty is a handicap to a man's business, but such reasoning mistakes what business means. The scriptures not only do not condemn, but they do enjoin industry and thrift. They do not condemn having wealth, but the love of it, and the wrong motive in acquirement and use. Jesus surely did teach the inadequacy of property as a source of satisfaction; yet He said "Your Father knoweth that ye have need of such things." Jesus as surely taught the overcoming of poverty as that of sin. He fed the multitudes; He directed the casting of the net for a large catch; He sent them forth to heal without purse or scrip.

The greatest lack of humanity to-day, and what is most discouraging, is the lack of an ultimte purpose in life; lack of desire which, when supplied will truly give satisfaction. Material wealth or physical well-being is not the ultimate of Jesus' teachings. He asked, "Is not life more than meat?"

"Making money" is not a worthy life motive. It cannot bring happiness even if seemingly successful. We hold too narrow views of life. If our pursuits do not tend to broaden our character and bring us into greater harmony with those with whom we deal, then they are conducted on wrong principles.

The command "Thou shalt love thy neighbor as thyself," in its fullness means the ultimate elimination of private property, for when we do love our neighbor as ourself we cannot then wish to hinder or deprive him of what is good. It means Christian socialism.

All Christian principles of brotherhood, all true economic science converge toward the one *perfect economic ideal, the complete elimination of hindrance to use, which is the basis of private property.*

Is this ideal too transcendental? Then so is every ideal of Christianity.

Truly its complete demonstration is beyond present practice. We cannot under present conditions dispense with all restraint to everyone's use of the wealth we may have or produce. But we may now have more and more good things free to all—public. But is not the ideal of every science beyond present attainment? The electrical or mechanical engineer is only able to demonstrate an engine in practical use with a fraction of the efficiency of his perfect ideal. His ideal has an efficiency of one hundred per cent. It is without wasteful processes and without friction. So shall the ideal commerce dispense with *Hindrance* the great obstacle to plenteous supply.

No science can succeed without a perfect ideal. The perfect ideals of Christian economics are love and service. But we may not as yet always give the greatest service by distributing our wealth indiscriminately. This would be casting pearls before swine. People are not ready for such practice. It would most likely encourage ingratitude, beggary and uselessness. Giving, pleases the giver, but demands much discretion. We may generally use most of our resources more successfully by applying them to wise undertakings under our private control. But people are ready for an increasing measure of free public supply.

The perfect ideal does not imply a neglect of our own reasonable needs.

Yet the present necessity for private ownership and control does not lessen our need for the perfect ideal. Such ideal is absolutely essential to any useful plan of social progress, civic improvement, or legislative reform. In proportion as economics based on this perfect principle displaces that based on greed, men will become better citizens and neighbors, and organized aggression will be overcome.

This perfect ideal is equally essential to individual business success, for the erroneous business purpose to hinder others, starts from the thought of a limited supply and the necessity to contend for one's share, whereas, with the true conception of business one starts from the foundation fact of God's abundant supply, and works with the noble purpose to make such supply available both to himself and as much as possible to others.

With this conception the worker and salesman will not think of employment and market as limited, but will know that the product of additional workers tends to supply wages for more employes and the marketing of more goods tends to enlarge instead of contract the market. Hence they will not seek to limit employment or market. Such workers or salesmen will not *concede* the unlimited power of adverse influences, but will contend heroically against them knowing that success may be won by proper effort, and that the true success of one, tends to the success of all. To such we owe the measure of prosperity which at times prevails against the confusion of our social system.

PUBLISHER'S NOTE.

TO THE READER:—If after having read Right and Riches you believe that its teachings tend to the good of mankind, we ask that you commend it to your friends.

You and your friends, and their friends control the destinies of the Nation and the world. Hence you cannot measure the influence you may have.

It takes but a word spoken, or written in a letter or on a post card, to tell your friends of a book you like, and it is often quite difficult to select the book worth the time to read without some such friendly help.

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