SOCIAL WRONGS AND
STATE RESPONSIBILITIES

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BY

WILLIAM JANDUS

IT SHOULD REQUIRE NO ARGUMENT
TO PROVE THAT INDUSTRIAL EQUITY IS
INCOMPATIBLE WITH THE PRIVATE
OWNERSHIP OF ECONOMIC
FUNDAMENTALS

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To my Wife

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PREFACE

THAT our current economic theories have been premised in a passing phase of social evolution, and that the doctrines based upon them reflect a predatory stage of human development, comes as a legitimate inference, which, on closer acquaintance with the true conditions, ripens into a conviction.

The parasitic foundations of society come to us from the rudimentary past, where they found their justification in evolutionary expediency; and while this justification no longer holds, the parasitism continues to endure.

The discovery of the law of solvent functions and the formulation of the economic equation, made possible the brief analysis of the economic situation attempted in these pages. If the writer has used his data and arguments to good purpose, they will show among other important things:

That along the cleavage plane of average property possession society falls apart into two hostile camps with interests diverging.

That about five per cent of the people are above the line of average "wealth," two per cent on the line, and ninety-three per cent below the line.

That by virtue of causes economically avoidable, the five per cent above the line become parasites upon the ninety-three per cent below the line.

That the propertied five per cent become the private owners of economic fundamentals, for the use of which they draw annuities from the unpropertied, who become the mere renters of them.

That upon the unpropertied classes there fall ultimately, all the costs for rents, taxes, and interest rates.

That the private ownership of economic fundamentals constitutes a usurpation of the common privilege, and is economically indefensible.

That the bonded and mortgaged insolvencies, and organized voracities, of "Private Finance," are avoidable and economically unjustifiable.

To rightly understand the economic situation it should be noted, that the parasitically advantaged classes become industrially foot-loose and politically free to act, while the disadvantaged workers become industrially enslaved and politically dependent. It may be said therefore, without any exaggeration, that the present social structure has been planned and built from cellar to attic by the propertied classes, and that the toil-bound and exploited routine producers had no hand in its upbuilding. The resulting civilization is thus purely a class product; its republics and democracies mere revolts against titled parasitism, and the history of political reform only a record of legal curbs imposed by the smaller parasites upon the predatory encroachments of the larger and more powerful ones. In these political conflicts the interests of the routine producers were not considered, and the great underlying wrongs remained untouched. Hence the so-called free institutions of our day continue to be based in the State-guaranteed privilege of the propertied classes to seize the labor-powers of the unpropertied without reciprocal service and without economic warrant.

The State is the creature of the propertied classes, and its policies are a reflex of the current economics, wherein the interests of the unpropertied ninety-three per cent have been not only overlooked, but compromised. Out of the *"financed outgo"* of the unpropertied, there is coined the *"capitalized income"* of the propertied, with the legal sanction of the State, backed by the machinery of government to enforce the economic confiscation.

Of the twenty millions of average families in the United States, the earnings of more than five millions are financially seized and absorbed, in order to maintain the propertied classes in parasitic affluence. The families in the "First Estate" have each the power to appropriate and convert to their personal use, indefinitely, and without an industrial equivalent, the earnings and livings of from ten average wage-earners to ninety thousand.

Worse than all is the persistence of institutions bottomed in the self-interest of those who control and operate them. Every man above the line of average possession has a personal interest in the preservation of arrangements that give him the lever of advantage over his fellows. He thus becomes an accomplice to the perpetuation of a great social injustice, and nothing but an awakened conscience and an aroused sense of honor will prompt him to surrender his advantage and place it as a moral offering on the altar of equal opportunity and economic righteousness.

The social question thus resolves itself squarely into an issue between the propertied and the unpropertied classes; and inasmuch as the State, in its corporate capacity, is the creature of parasitic interests, this issue narrows down to the State as the real culprit, and the routine producer as its victim.

Meanwhile, no one is to blame for our social misery. Our current doctrines being based in the very wrongs we are trying to analyze, it became necessary to convict them of error before a proper diagnosis of the economic situation could be made. Neither host nor parasite could be aware of the true state of things without a scientific analysis of social conditions, and hence the underlying wrongs and their economic remedies could not be clearly defined and apprehended. Until so defined and apprehended there can be no social reform.

It is easy to appeal to class prejudices, and to stir up class animosities, when advocating social reform. Nothing, however, could be more hurtful and criminal at this juncture. Some of the most ardent champions of social reform are to be found among the parasitically advantaged, and it is only fair to presume that the fair-minded and high-minded of their class will not only gladly surrender their advantage, but lead the van of social reform, when they once realize the injustice of present arrangements. Nevertheless, until justice has been established, the issue must be regarded as a class struggle and it behooves the disadvantaged ninety-three per cent to organize their scattered forces into political solidarity on a platform of revised economic principles, and, with the weapons of franchise, effect their own deliverance.

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SOCIAL WRONGS AND STATE RESPONSIBILITIES

INTRODUCTION

If it is presumption to assail present social foundations, even where literary expediency prescribes no limit to discussion, it would seem like madness to attempt it in a running commentary on current theories and doctrines. Economics is a large subject and the refutation of established error a difficult undertaking. Hence, if despite brevity of treatment and abridgment of data, the writer succeeds in pointing out a fatal oversight in our handbooks on political science, and some of the consequences flowing from economic misinterpretation, he will have achieved more than should be reasonably expected.

It is no trifling matter to quarrel with one's civilization and to challenge the integrity of traditions and institutions of which one is the evolutionary product and expression. Like impeachment of ancestry and dispraise of country, such a challenge has a look of sacrilege, if not an aspect of treason. Besides, new view-points are disconcerting, and their advocates unpopular.

When, more than a decade ago, the writer took up the critical examination of economic theories, he was impressed by their argument. Granting the normality of social conditions of which these theories were the economic interpretation, he saw no escape from their conclusions. But what if these supposedly normal conditions were abnormal ones, and we had misinterpreted the shifting compromises and compensatory expedients of evolutionary development into a science of economics? What warrant have we for assuming that our theories are premised in normal social conditions?

A grain of science is worth a ton of opinion. Newton's formula disclosed the mechanics of the universe, and spectrum analysis its chemical components. Out of the law of atomic equivalence arose the science of chemistry, and out of Ohm's law the modern application of electricity. Darwin's investigations revealed the essential unity of animate nature and man's place in it. Pasteur's researches proved pathology to be a department of bacteriology; and so on through the list of classified knowledge;

everywhere, the blind gropings of opinion give way to the lucid interpretations of science.

Now all cosmic interrelations and sequences which it is the province of science to interpret find their ultimate expression in mathematical formulae. The laws of science are the laws of these numerical interrelations, and even the remotest effects when traced to fundamental causes will find their premise and justification in mathematical terms. Mathematics, as the soul in the body of science, is, therefore, the only reliable criterion of truth.

Economics has from the time of Adam Smith been heralded as a full-fledged science, and there has been no one to dispute its right to so exalted a title. And yet, how can there be a science without a mathematical basis? We have neither a unit of economic measurement nor an equation of economic procedure. How then can we have a science of economics? Partisan opinion does not constitute a science. There can be no Republican or Democratic economics any more than there can be a political chemistry or a partisan physics. The rules of economic procedure cannot be determined by political majorities nor compelled by the fiat of autocratic power. The fundamentals of economics have not yet been written into the text of any political platform nor are they embodied in the organic laws of any country.

If in an economic sense the industrial process is a flow of services, it must in an ethical sense be a flow of sacrifices. If economics is a balancing of productive services, it must be a balancing of productive sacrifices also. On its ethical side, therefore, normal economics should be identified with applied justice and our social arrangements should make for industrial equity. Yet our theories lead toward no equalization of the rewards and sacrifices of production, and no sane economist has ever grown eloquent over the justice of present conditions. Says John Stuart Mill: "The idea of distributive justice, or any proportionality between success and exertion, is in the present state of society so manifestly chimerical as to be relegated to the region of romance." And from Smith to Mill, and from Comte to Herbert Spencer every distinguished writer on social science took it for granted that injustice is inherent in human affairs and that social equity is a matter, not of applied economics, but of discretional morals and organized benevolence. It did not occur to these writers as a reasonable alternative, that perhaps their economic interpretation and not "human depravity," might be to blame for the injustice.

Taking these and other phenomena into account and bearing in mind that our present controls and disciplines, like those of the past, find their justification in evolutionary expediency alone, and must, in the endless mutation of things, be impermanent and transitory, there appear to be good reasons for suspecting that the substructure of economic doctrine rests upon a false premise and that the pretentious edifice reared upon it will, sooner or later, crumble on its foundations.

There is a loose end in the tangled skein of economic speculation which once fairly grasped and followed to its logical unwinding, leads toward conclusions greatly at variance with present interpretations. That loose end is the "marginal value of gold."

Taking up the money basis as a subject of inquiry, and comparing the relative items of expenditure on the average workingman's budget, the writer made the discovery that the marginal value of gold is less than one-fifth of one per cent of the commercial values resting upon it for functional solvency. In other words, the money-scope of gold is so small that there is but one unit of solvency for every five hundred units of merchandise seeking liquidation in the money-base!

Following up this astonishing clue he found that commercial exigencies and economic automatism raised this marginal value cumulatively about one hundred-fold so that it might hold such merchandise conditionally solvent by artificial credit expedients. That, deceived by this compensatory inflation of the precious metals, economic students not only overlooked the inadequate money-scope of the metal basis, but misinterpreted its financial limitations into a law of money. In this way the functional insolvency of the world's values organized itself automatically into a circulation of "money debts," the eternal liquidation of which by time expedients and brokerage devices came to be regarded as a normal phenomenon. Instead of a competent money-base of ample money-scope in which all commercial values might be held costlessly solvent and fluid, we had an incompetent money-base of limited money-scope incapable of solvent functions without artificial inflation and costly expedients of time-liquidation.

Out of these insolvent conditions arose the concepts "Capital," "Credit" and "Interest"—the creedal trinity of the economic gospel. "Capital" became the basic factor of economic interpretation, money, as a mere "title to capital" and "denominator of value," taking subordinate rank. Notes, bonds, mortgages, and other organized voracities, instead of being looked upon as the offspring of a defective money-base, were regarded as the normal phenomena of a normal money system and defended by numerous hypotheses, none of which will bear critical examination.

Now, if this "Capitalism," with its funded insolvencies and apprehensive credits, can be proved to be an avoidable and uneconomic expedient of liquidation, then our present interpretations must be abandoned and our treatises rewritten.

So that the reader may grasp the industrial situation, it will be well to focus our attention upon "Capital," the economic factotum. Capital, posing as a preferred partner in the business of production, claims a perpetual income called "interest," while a "capitalized" environment calls for a perpetual income called "rent." As land is only an alternate form of investment, the rent rate is really a commuted interest rate and hence both of these incomes are interest incomes, or "capitalized incomes." The claimants of these incomes are *not the collective people,* but the private owners of the money privilege and the private owners of the land privilege. It appears, therefore, that private landlordism is only an optional form of private capitalism and that private capitalism is the Alpha and Omega of present economic doctrine.

Plainly speaking, our text-books are in effect treatises on "Private Capitalism," and concern themselves chiefly with theories of Interest, Capital, Credit Finance, and other phenomena of functional insolvency. Hence they are written from the viewpoint of the owners of economic fundamentals, and do not reflect the collective interests of men.

The situation resolves itself therefore into "Private Capitalism" versus the "Collective Effort;" that is to say, "Private Finance" versus the "Common Interests." Private Finance, in the guise of "capital," claims first right to the common product and takes it. Then come the claims for maintenance and depreciation, and then wages and profits as residual claimants.

Ordinarily, defective functions and morbid conditions may be mitigated by artificial compensations, and just as defective vision may be relieved by optics, and defective hearing by acoustics, so defective solvent functions might be improved by compensatory economics. Unfortunately current economics has utterly failed to vindicate its claims to be a science. Not only have we been unable to diagnose the social ills, but we have been incompetent to differentiate between health and disease, and have taken the abnormal for the normal function.

Where permanent cures are available, it would be folly to apply palliatives, yet a palliative is better than no relief. Had our political controls equalized the wastes and costs of credit finance through the public taxes, by assuming the functions of credit liquidation as a part of the public service, the solvency of values would have been made premiumless. The money function being furnished free on the usual securities, all interest rates would terminate at once, and "Capital" become an incomeless value and not a sustained voracity. Under such State-guaranteed solvency, however, the value of the land privilege, as a private possession, would rise until its discount value found its limitations in the life-risk alone, and were man immortal, land values, as the only available source of effortless income, would become infinitely great.

It seems, therefore, that all valuations under Private Finance are based in the "income powers" of capital—that is, in the voracities of compound interest. "Wealth" thus becomes identified, not with a concrete and final value, but with a perpetual flow of values which Private Finance exacts from the public on the plea of doing it a perpetual service.

With the interest rate at zero, however, there could be no "Capitalized Income" and our feudal concepts of "wealth" and "capital" would undergo a profound modification.

The lack of a proper criterion of social normality and the failure to discover the true law of solvent functions have led us wofully astray from the paths of economic truth and rectitude. Wholly oblivious of the scant marginal value of the metal basis and the negligible money-scope of gold, the functional insolvency of values was not even suspected. Thus the limitations of the metal basis came to be misinterpreted into a general law of money, and the true law of solvent functions, and of money-scope, were buried under cumulative misapprehensions. Meanwhile the wasteful compromises of economic automatism were mistaken for a real money of circulation, and "Private Capitalism," as a compensatory expedient, became the paramount factor of economic interpretation. The wastes of credit finance were coined into the incomes of the propertied classes and interpreted into "wealth." Our handbooks thus became a sort of Royal Charter of commercial rights and privileges by which the propertied classes felt themselves entitled to collect money tithes from the unpropertied. Meanwhile the wishes of the latter were not even consulted. As, however, the propertied classes had always been in political control, the terms of the charter were easily enforced.

By a strange oversight our text-book authors failed to realize that private capitalism divided men into two classes, with interests apart—that the economics of the "capitalizers" were not the economics of the "capitalized," and that the latter were not bound by the predatory pact.

VALUE AND THE ECONOMIC FORMULA

THE soul of economics is its formula, and the main concept in that formula is value. To apprehend the meaning of value is to apprehend the meaning of the economic problem.

Paradoxical as it may appear "value" is an economic misfortune and "wealth" a disaster. It is only when a thing costs productive sacrifice that we appraise it as a "wealth." Hence wealth is a measure of nature's stint and man's poverty. In a paradise of costless abundance where things might be had for the taking, we should be rich in goods but poor in wealth. In an effortless Eden there could be no productive sacrifice and hence no "value," and to hoard up the eternally superfluous would be senseless.

A ton of water will not exchange for a pennyweight of gold, though value for value, every drop of water is infinitely more useful than a pennyweight of gold. But gold is scarce, that is, difficult to produce, while of water there is a superabundance. Hence we place gold in the category of wealth while water does not appear on the list. Were water as scarce as coal, a man owning a lake of it would become a billionaire, but it would be a national disaster to list it as a wealth asset.

What a thing is worth to us depends upon the units of productive sacrifice we are willing to expend to obtain it. Value is an appraisement of the sacrifices of production, or costs in terms of productive effort. Into these costs enter the wear and tear of our physical, mental, and psychic processes. We capitalize, as it were, these sacrifices, and call them value. Hence all value implies actual or potential units of labor-cost or units of productive sacrifice.

If, for the present, we regard the average effort to earn a dollar, as a unit of human effort, and we start with a quantity of iron ore costing seventy-five cents, there may be produced from it the following values:

Iron Bars	worth $	5.00
Horse Shoes	"	10.00
Needles	"	6,800.00
Watch Springs	"	200,000.00
Hair Springs	"	400,000.00

(Carroll D. Wright—"Industrial Development of the United States.")

Reducing these values to units of effort, we have:

For mining the ore..................	¾	units
For making iron bars................	5	"
For making horse shoes..............	10	"
For making needles	6,800	"
For making watch springs............	200,000	"
For making hair springs.............	400,000	"

We thus connect values with units of productive effort of which they are the economic expression, and hence it appears that, directly or indirectly, value depends upon the labor cost, and that goods will exchange for each other according to the actual or potential units of productive effort they represent. The exchange of goods becomes, therefore, an exchange of services. Not, however, the producer's cost, but the consumer's bid, is the true criterion of "labor-cost," for it is the discriminating public which in the last analysis sets the doctor's fee and the artisan's hire, appraising not alone the values of goods but the services of the different trades and professions that produced them.

We produce special values called goods, and take in pay general, substitutional, values called money. We expend units of productive sacrifice and receive therefore units of "income." Value, from the producer's standpoint is measured in units of sacrifice, and from the consumer's standpoint in units of satisfaction. Hence, in the last analysis, disbursement of income is an exchange of units of sacrifice for units of satisfaction; *and the test of economic normality is that distribution of the common product where every average unit of income represents an average unit of productive sacrifice.*

We expend income so as to derive from it the greatest number of units of satisfaction possible. This gives rise to another concept of value based in the estimate we place upon our wants and the goods that satisfy those wants. We expend a certain proportion of our income for food, clothing, shelter, fuel, light and other utilities, and the amount of income we expend for each item marks its relative importance, or marginal value, on the chart of yearly expenditure. Hence the average expenditure of income upon a utility is a criterion of the marginal value of that utility.

Value may be said to have two dimensions—scarcity and utility. A thing is scarce when its production offers great resistance to human effort. It has utility when it subserves some useful purpose or satisfies some human want. No matter how scarce a thing may be, if it have no utility it will have no exchange value. On the other hand, no matter how useful a thing may be, if it be eternally superabundant it cannot be classed as a wealth and its exchange value will be nil. Hence, to constitute "wealth" a thing must be both scarce and useful. Value may therefore be defined as a function of utility on the one hand and of scarcity on the other.

In a strictly commercial aspect the industrial process may be viewed as a flow of productive values; in a purely economic sense as a flow of productive services; and in an ethical sense as a flow of productive sacrifices. Value as a function of sacrifice introduces a moral element into economics, but because ethics and economics refuse to harmonize under "private capitalism," writers felt obliged to square their theories to fit supposedly normal conditions by dodging the moral issue, thus escaping from the inconsistencies of the situation. Sacrifice has to do with morals, but satisfaction has not; hence, by interpreting value in terms of gratified desire the perplexing element of ethics could be eliminated. Its substitution put economics outside of the pale of applied justice and placed it within the pale of discretional morals. Applied ethics, and applied economics, are, however, merely two phases of applied civics, and cannot be divorced from one another without social disaster.

At best, however, there is no way of estimating a satisfaction. It has no defined dimensions in space or time, nor can its connection with productive effort be satisfactorily established. On the other hand, the sacrifice of productive effort is a constant. It has a defined limit in fatigue and can be measured in time. We can measure the productive cost of making watch-springs out of a certain weight of iron ore, but we cannot measure the gratification these watch-springs confer.

As has been noted, value is a function of scarcity, and scarcity implies resistance offered to productive effort. Always and everywhere resistance interposes itself between man's effort and his living, and the scope of science and invention is to find the ways and means for overcoming such resistance. The flow of human effort into productive consummation follows the same law as the flow of electricity into work. Effort and resistance are reciprocal terms. This relationship may be expressed in an equation thus: one unit of productive potential E, exerted upon one unit of resistance R, will yield one unit of product P; that is, $P = \frac{E}{R}$. The industrial yield is thus a function of the environment resistance on the one hand, and of industrial effort overcoming that resistance on the other. The economic law is exactly paralleled by Ohm's Law of electricity $C = \frac{E}{R}$, where E stands for the electric potential, R for the electric resistance and C for the current output or product. The equation may be simplified, if, instead of stating it in terms of the industrial resistance R, we express it in terms of the facilities of production F, its reciprocal. These facilities F comprise all the physical efficiencies by which the resistance R is overcome. Substituting F for R we have $P = EF$, where the productive potential E is linked with the physical potential or facility F as a co-ordinate and co-equal factor of production. In this equation the constituent elements of human effort are reduced to an economic law.

Contrary to the general belief, it is the mental, and not the manual element in human effort that is the supreme factor of productive achievement. Not the physical but the intellectual faculties are the moving forces and manipulative agents of productive consummation. The muscular powers of men and animals and the raw forces of nature are only so many tools of production in the hands of intellect. Could we utilize but one-tenth of the energy stored in a ton of coal we could set loose the labor power of four thousand men working ten hours. But these are only "foot-pounds." What really counts is the mental potential or directive capacity back of these raw forces. Without industrial initiative and directive capacity, industry must cease and man perish. It may be well to explain that "productive potential," "mental potential," "intellectual potential," "industrial initiative," "directive capacity," etc., are alternate terms connoting the effort "E" overcoming the resistance "R."

Human endeavor may be said to resolve itself into speculative and routine production. The speculative producer is the organizer and coordinator of industrial effort, devising and inventing means, methods, and processes for effecting productive economies and efficiencies.

He assumes all the risks and responsibilities of his industrial initiative, and carves out his profits at the marginal costs of production. The routine producer, on the other hand, takes no risks, assumes no responsibilities, and sells his risk-discounted efforts for a stipulated wage. He is thus a wage-earner following the routine of a well-established trade or calling.

While the former is thrown upon his unaided initiative and mental resource, the latter depends largely upon his acquired skill and productive automatism. Yet every routine producer has some industrial initiative and this differentiates him from a machine. He manipulates the facility F for productive consummation, though himself a tool in the hands of his employer, who guides his powers along channels of productive efficiency and economy.

We may therefore say that the factor E is the brains, and the factor F the muscle of production; and though it may be difficult to determine where initiative ends and automatism begins, it will answer the purposes of the formula to include the human factor under E, and the mechanical factor under F. Inasmuch as these factors are correlates, an error in classification will make no difference to the equation.

The static or physical efficiencies included under the facilities F, are the following:

First: The environment potential, consisting of the biologic powers and raw forces of nature and the resources of land, water, climate, and other natural advantages of the common environment.

Second: The mechanical potential, consisting of the tools, appliances, machinery and installations of production, together with the muscular powers of men and animals and all other stored powers for operating these instrumentalities.

Third: The commercial or distributive potential, comprising the agencies and facilities of solvency, transportation, and communication, and the whole machinery of commerce.

Fourth: The technical potential, embracing all public and private schools and institutions of technical learning, all libraries, books and periodicals, the public press and other instrumentalities of education conducive to industrial efficiency.

Fifth: The administrative potential, consisting of State and Church controls, courts of justice, and other institutions of law and order, defenses against invasion and all public works, buildings and structures for conserving and augmenting the industrial potential of a country.

Under the intellectual potential E will be understood the directive powers of man to set the facilities F in motion for productive consummation.

The factors E and F constitute the industrial potential of a people, and this potential varies with the power of the factors and the industrial pace. Where, during the hunting stage, some twenty-five individuals per hundred square miles of land area probably marked the average limits of race survival, such a territory is now capable of supporting, on an average, some ten thousand individuals. The industrial potential of the present may therefore be said to be several hundred times greater than that of the past.

The formula $P = EF$, *when properly applied and interpreted,* should fit every human relation. Whether the effort E be expended constructively or destructively, makes no difference to the equation. Be the dividends P those of industrial achievement, or of pious devotion, or of diplomatic forestallment, or the pelf and pillage of war, the same elements enter into it, namely: the intellectual potential E and the means of achievement F.

The aim of all collective endeavor is to reduce the industrial resistance R by administrative measures F. Whether such measures concern transportation, communication, sanitation, irrigation, forestation, conservation of public resource, solvency of values, or other government functions, in every case, the sole aim of applied economics is to diminish the common resistance R by increasing the potential F. Hence, always and everywhere, the test questions of political science should be:

Does the administrative measure increase the industrial potential of the people? Does it economize the common effort? Does it make for a higher general standard of living? If not, then it is a hindrance R and not a facility F.

How many of our national policies will pass the economic test?

Will private capitalism and its wastes and voracities?

Will private landlordism—the offspring of private capitalism?

Will the tariffs and subsidies of predatory privilege?

Will the imperialisms and war-footings of an aggressive commercial class?

Will the insolent and predacious individualism, around whose parasitic prosperities are grouped the collective interests of men as a mere incident and by-product?

Will the present systems of taxation?

Will the tons of statutory legislation based in these policies?

It should be self-evident that before we may enter upon an era of enlightened legislation, there must be an economic formula by which to square economic procedure.

The invariability of the money standard being assumed, the economic law may be viewed as a law of wages and of prices, E being the wage factor, and F the price factor.

The greater the pace E the higher the wage rate; the greater the potential F, the greater the product P in terms of the wage rate.

Of course the true income rate is the product P. Assuming the pace E to be constant, the income P will vary as the potential power F, and the factor F will then appear to be the true criterion of a people's productive efficiency and income capacity.

Now of all the classified facilities F, the "environment potential" is the most important, and the food resource of that potential its most compelling factor. Civilizations, like armies, crawl upon their stomachs; and hence the urgencies of life become the real factotums of the wages-level, and, other things equal, the peoples owning the largest food resource enjoy the highest wage-rates.

Diminish, therefore, the per capita distributive share of the common resource and you diminish the per capita wages. "Scarcity values" are economic misfortunes which present interpretations permit a privileged class to capitalize into effortless incomes. Population pressure produces a "scarcity value" in the common resource, and when such pressure is pushed beyond the point of greatest average productive returns, peoples enter upon a career of low standards of living and industrial decline.

The pressure of population on resource is a pressure on the wages-level. This is why wages are low in overcrowded countries, and where, in addition to such pressure on resource, all other potentials F are undeveloped, as in China, Japan, and India, there the wage-rates tend toward the starvation limit. So great is the pressure on foothold in some parts of the Orient that the very sources of sustenance are polluted, and the swarming populations may be said to perish in their own toxins.

No apprehension need be felt over a possible decline of wage-rates so long as the pressure on resource is maintained below the point of diminishing returns. That the wages-level may be lowered by "foreign competition" is the fallacious argument of "protectionism" and the bugaboo of commercial exploiters. Apart from the economic benefits of a mutual interchange of cheap surpluses, the general prosperity of nations cannot be unfavorably influenced by international commerce. Competitive elimination may bring losses to individual traders and affect local industries, but they cannot but benefit the common interests.

Where an industry is forced to the wall by outside competition, another and better one takes its place, the substitution of the fit for the unfit tending to increase the industrial potential by guiding production along profitable channels. Were there no economic benefit in the interchange of cheap surpluses, there could be no commerce, and were the forces of competition and elimination inoperative we should all degenerate and perish. If overcrowded peoples are obliged to sell their labor-powers cheaply in the common market, that is their loss and not the loss of the economically prudent ones. Wages of nations cannot fall below their per capita productive output, and this output depends upon population pressure and cannot be reduced by an exchange of surpluses.

The average income is fixed by the average industrial potential, and, incredible as it may appear to our Labor leaders, the law of average income has never been, and can never be, set aside by any concerted action of organized labor. The average income can never overtake the average product, and hence the wages-level cannot be effectively boosted without boosting up the product-level.

All artificially raised wages are parasites—

not on "capital," nor on "profits," as is commonly supposed, but upon the weaker and less assertive trades and callings. The voracities of capitalism cannot be reached by any changes in wage rates, and as all profits are made at the marginal costs of production, not only the advanced wage-rates but all the risks and losses of strikes must be added to the general cost of living, which fall almost wholly upon the disadvantaged classes. Meanwhile a culling process is busy weeding out the incapable workers who cannot earn the higher wage, and supplanting them with those who can. Where, by sheer monopoly advantage, the more powerful unions wring concessions from an employing class, the high rates invite into their organization superior craftsmen from the outside, who gradually, but surely, raise the craft status to a higher plane of efficiency, and to whom, in the long run, the less efficient workers lose their places, or take inferior positions.

Nowhere may the results of this selective process be better studied than among the train crews on American railways—a fine body of men—upon whom advancing wage-rates have imposed progressively heavier duties, and more exacting requirements, until their efficiency has been raised to the level of the higher pay.

Meantime, the general advance in wage-rates, everywhere apparent, *is wholly due to* *the depreciation of the metal basis,* and not to the improved facilities F, which make themselves felt in prices only.

Thus, everywhere, the economic law tends to assert itself in the end, and nowhere can it be set aside by artificial regulation or legislative fiat.

Such, briefly, are some of the deductions of the economic formula.

THE MONEY BASIS AND THE "QUANTITY THEORY"

A STANDARDIZED substitutional value, such as a dollar, may be defined as a value achieved industrially by the expenditure of one standard unit of productive effort upon one standard unit of industrial facility in a standard unit of time.

Adopting the average labor required to mine a pennyweight of gold (dollar), as a standard of average human effort, then, a unit of productive efficiency E, in terms of digging gold, is that mental potential, which applied to a unit of industrial facility F, will produce one pennyweight of gold P; and a unit of industrial facility F, is a physical potential which when manipulated by a unit of productive efficiency E, will result in a pennyweight of gold P.

Of course the economic unit must be an average unit. Directly or indirectly nearly the whole technical skill of a civilization goes into every industrial act, and it may be said with truth that every trade and calling of man participates in the making of a pin or button. Not one of the thousands of special trades, professions, and industries but has in some way contributed to the production of these articles. As with pins and buttons, so with the mining of gold. The whole world is, co-operatively speaking, engaged in mining gold, and to trace and estimate every contributory effort that goes into the extraction, smelting, transportation, and distribution of gold would be a sheer impossibility.

Now if gold is to be a standard unit of value, it should be a value constant. While, however, the sacrifices of production have remained constant from the beginnings of industry, products have undergone a progressive devaluation.

In the last analysis, all costs, and hence, all values, find their appraisement in the wear and tear of nerve and muscle. The fatigues and discomforts of productive effort, which are the same now as they were thousands of years ago, constitute the only invariable element in economic science. Whether the output per average unit of productive sacrifice be large or small makes no difference to the fatigue and discomfort of a unit of labor. As English farm labor receives to-day from six to seven times as much gold per day's work as the same labor received in the thirteenth and fourteenth centuries, we conclude that we can produce from six to seven times as much gold per unit of labor as we could then.

Reliable wages statistics will show that the mining of gold, in terms of the average productive effort, costs now only about one-sixth of what it cost two or three centuries ago, and that it continues to cheapen (in terms of human effort), about two per cent yearly. Meanwhile, its marginal importance on the chart of human wants, has remained practically unchanged. This marginal importance of gold, according to trustworthy data, amounts to less than one-fifth of one per cent of all other values. In other words, the average man will expend no more than one-fifth of one per cent of his income to satisfy the gold want, whether gold be cheap or dear. A unit of value measures a unit of productive sacrifice, and as we can now mine six times as much gold per average unit of sacrifice as we could two or three centuries ago, the gold coin of today, to be at par with the gold coin of the past, should be six times as large.

As the resistance of the environment has been overcome by the progressive technics and improvements F, all the products of industry have been cheapened—some faster than others. Those that have cheapened faster than gold appeared to fall in price; those that cheapened slower appeared to rise. For this reason alone food-stuffs have appeared to advance in price while manufactured products appeared to fall. In order to keep pace with the progressive devaluation of the gold unit, wages had to be advanced along the whole line of human endeavor, and the industries of the country have been upset and will continue to be upset by "strikes" for higher wages until the metal basis is permanently demonetized.

The money basis of an ideal currency should be unlimited as to potential power of solvency. In it all circulating values should at all times be supersolvent. But the money-scope of a money-base is no higher than its potential marginal value. While the marginal value of an indispensable utility, such as land, may be forced up indefinitely by monopoly, the marginal value of dispensable things tend to remain the same or to depreciate. The marginal value of gold is permanently limited by its dispensability. So small is this value that unaided by artificial expedients its per capita money-scope or solvent power amounts to less than 30 cents. In fact, from the consumption of gold in the arts, 1890 to 1910 inclusive, (Report of the Director of the Mint for 1911), it appears that the average per capita expenditure for the gold want amounts to less than twenty-four cents!

On the basis of its marginal importance, gold has a solvent power of less than one-fifth of one per cent of the commercial values resting upon it. That is to say, for every five hundred units of merchandise seeking the money function, there is but one unit of solvent power to do the money work. The problem is, then, how to make one unit of solvent power liquidate five hundred circulating units of commerce. Could this single money unit work overtime, and could business be run on unsecured promises of payment maturing in some eighty-odd years, then, perhaps, liquidation in the gold basis might be possible without banking expedients. But here the compensations of nature come to our assistance, and the marginal value of gold is automatically raised a hundred fold or more by cumulative expansion. By such expansion the solvent power of gold is advanced from a justifiable per capita circulation of twenty-four cents to a circulation of twenty-seven dollars; and the time element is reduced proportionately.

We are still far from solvent, however, but by organizing our insolvency into a circulation of "money debts" called credits, the time element may be still further reduced and a deferred solvency be achieved. With something like twenty-five thousand "credit factories" to make local risks available as pledges of payment, and a "show-case" evidence of money solvency, we are in a position to float a currency of liabilities maturing in from thirty to ninety days. We are now "solvent" in a wide-flung network of "money debts," or credits, which an amazing class-privilege permits a propertied minority to coin into a source of income.

The money basis of an ideal circulation should be the most fundamental and commanding of all values. But gold is only a negligible derivative, and apart from gratifying the childish vanities of the uncultured, gold has no utility that cannot be fully met by substitutes.

When we part with a coin, we part with something for which there appears to be no available use on the chart of human wants, and hence arises the idea that money is merely a "title to capital" and not a competent value for itself. In the language of economic misinterpretation and apology, credit finance is said to deal in "titles to capital." In the language of common sense, it deals in the means of solvency. So very dispensable is gold that the whole stock of it could be dumped into the sea and not be missed. Its contribution to human happiness is practically nothing, and there is good reason to believe that even its present small marginal importance will shrink appreciably when it loses its money privilege and prestige.

It cannot be said, therefore, that gold, as a money basis, measures up to any of the essential requirements of financial competency. As a special availability and money asset it is practically worthless. Its exchange value varies with the number of its circulating units, and with the cheapening process of extraction. Its money-scope is small, its unit unstable, and its unaided power of solvency negligible.

The whole question of a competent circulation is thus a question of liquefying and standardizing a competent money asset, and the question of liquefaction is a question of subdividing such an asset into representative units of standardized value. These units then become a standard of appraisement for the values of commerce. The attributes of mobility, imperishability, and general availability, make the money unit the quickest of all assets. They invest it with a commanding power over all other values—the power to appraise and discount risks. Every money valuation is a brokerage transaction in which the risks and costs of depreciation and decay are discounted. We exchange the perishable for the imperishable, the special for the universal value. But the perishable is a risk and the special is a risk. We discount the risks in terms of a riskless money.

Money is a liquefied and standardized *substitutional* value in which all products should be naturally and eternally solvent. Without a substitutional value to offer labor for product, there can be no production. Without a substitutional value offered to merchants there can be no commerce. Without a circulation to insure the solvent flow of values and services there can be no industry and no civilization.

The premium on money is thus a premium on a scarcity of substitutional values. Instead of liquefying the largest national asset, we liquefy the smallest. Instead of a per capita circulation of six hundred money-units, we have a per capita circulation of twenty-seven. If the potential money-scope of the money-base be large enough to hold the aggregate circulating values of commerce supersolvent, then competitive goods will meet competitive money and solvency will be costless. Under present credit restrictions and scant money-means, nine industrial opportunities are deferentially waiting upon one arrogant dollar; that is, opportunities are at a discount and the dollar is at a premium. Were the liquefied assets five or more times greater in value than the aggregate values of commerce, six eager dollars would be waiting upon one opportunity; that is, dollars would be at a discount and opportunities at a premium. It is a self-evident proposition that where overwhelming money reserves press eternally upon opportunity, there monopoly of financial, commercial, and industrial resource is impossible. With a redundancy of permanent liquid means, the arguments for "parsimony" and "futurity," upon which our theories of "capital" and "interest" depend, would be swept away in a flood of premiumless money reserves.

The money question is therefore not a question of flexible credits and a central bank of issue, but the question of a money-base so large in amplitude and potential value, that it shall constitute the whole of "capital," and that all the circulating values of commerce shall be competitively, and hence costlessly, solvent in it. The underlying principle of solvency is money-scope, and the money-scope of an asset depends upon its potential value.

SELF-LIQUIDATION OF LAND VALUES. RENTS OF EQUALIZATION vs. TAXATION

LOCALIZED in the environment are the latent powers and efficiencies of a civilization. Not the physical values and improvements, but the industrial potentials, of which these values are an externalized expression, constitute the wealth of nations. The industrial potential is a potential capacity to achieve product. It is the power of maintenance and repair by which the vigor and health of the social organism is maintained. The environment is charged up, as it were, with the collective powers and efficiencies of past and present civilizations, such powers and efficiencies manifesting themselves as "land values." A careful study of census figures, and of real-estate valuations, will show that in 1900 the ratio of land values to physical values amounted, on an average, to about sixty-two per cent. In other words, "land" was then nearly twice as valuable as the physical improvements upon it.

Land values are the reflected values of constructive economies, such as those of transportation and communication—those of distribution and exchange of supplies in the common market—those of exchange in professional and industrial services in great civic centers—those of water, light, heat and power conveniences—those of collective drainage, roadways, subways, and those of other social conveniences by which the individual is enabled to live on a highly potentialized plane of existence, enjoying privileges worth billions of dollars without giving a thought to their costly maintenance. They are the capacities F overcoming the industrial resistance R, by which human effort is conserved and the sacrifices of production spared. They represent the net difference between the total appraised value of a civilization and its physical costs. These latent and localized capacities to achieve product constitute the real wealth of a civilization, and their value may be pushed up to any figure by artificial scarcity.

Apart from the values of scarcity, such "surplus values" are a criterion of man's achieved mastery over the common resistance. The increased industrial potential and the increased population pressure have raised the values of land in this country from something like fifty millions of dollars three centuries ago, to about sixty billions of dollars to-day. Being the industrial reflex of the collective endeavor on the one hand, and of population pressure on the other, these assets are public assets and cannot be privately held without upsetting the industrial equities of men.

These public values constitute at once the largest and most imposing asset of a civilization. Were they mobilized into a currency of self-liquidation on the basis of a fair tax appraisement, and their present owners given the cash equivalent of their land holdings in such a currency, the environment could be withdrawn from private possession without violating any principle of justice.

The program of self-liquidation contemplates giving the land-owners warrants in full for their title, and coining these warrants into a currency of quit-claim payment. As sole landlord, the State receives such currency at its face value for the renting privilege and for all public debts. It demonetizes gold and redeems it at par in the new currency. As the logical custodian of private and public savings, the State furnishes free of charge the usual paper instrumentalities of circulation and exchange which the glorifiers of capitalism wrongfully claim as an especial feature of the credit system.

By such an administrative fiat, the State socializes the common environment, liquefies one-half of the world's values into a permanent currency, renders all commercial values solvent in the money-base, makes solvency costless by competitive money means, places all men upon an equalized footing, and invests society with its rightful powers and civic dignities.

Under Private Finance and its privately engrossed fundamentals, the per capita wealth in 1900 amounted to about twelve hundred dollars in "property" values and about twenty-seven dollars in "money" values. That is, there were twelve hundred "property units" and twenty-seven "money units," the former potentially insolvent in the latter. With one-half of the property values mobilized into a currency by self-liquidation, we should have about six hundred "property units" and six hundred "money units," the former solvent in the latter. As, however, the circulating values of commerce comprise only about one-fifth of these residual property units, such commercial values become supersolvent—that is, competitively solvent—and the money function becomes costless.

Space forbids entering into a further discussion of the environment basis except to make the broad statement, that its critics were ignorant of the underlying principles of costless solvency, and hence were incompetent to pass an opinion upon it. The various abortive attemps made by reformers and land speculators in the past to base a currency in land values were conceived in profound ignorance of solvent functions, and, except as hand-samples of blind economic groping, are unworthy of serious consideration. No bona fide attempt has ever been made to supplant the gold basis and to refuse to receive its units for taxes. With the absolute nationalization of all land values by self-liquidation and the concurrent demonetization of the metal basis, gold will suffer an unexpected fall in price and its redemption will entail a public loss.

Infinite in potential value, and unlimited in potential money-scope, the environment, as the world's largest and most compelling asset, is at once the only logical and only available money-base, and the land privilege as the most universal, valuable, and indispensable of all privileges, should appeal to the popular imagination as financially the most mobile and competent of all possible money bases.

When once standardized, the value of the environment unit in terms of the renting privilege remains a fixed constant. Whether the aggregate value of the circulating units exceeds, or falls below the "capitalized" value of the land asset, will make no difference to the renting power of the money unit. It will rent as much land in the one case as in the other, but an over-issue will tend to cheapen the land privilege in relation to all other utilities, and an under-issue will tend to make it relatively more precious. In the one case the marginal value of the renting privilege will fall and in the other it will rise.

In an indispensable asset like the environment, which has no economic limitations as to potential value, the law of "quantity" or money-scope is independent of the marginal value of the renting privilege, and finds its limitation only in motives of a psychic kind. The law of money volume is really a law of private hoards, and the law of these hoards depends upon the industrial pace and average thrift of a people. Under our present financial dominion, with its scant money means, one-half of these hoards or reserves, consists in the "capitalized" values of land. Under a decapitalized finance these values become permanently liquefied into a currency and the residual properties become money-solvent. The financial technics of the supersolvent future will call for the maintenance of such a per capita circulation, that the predetermined marginal value of the renting privilege shall remain a constant.

Under public ownership the revenues from land become public revenues. The differential rent charge is only a method of equalizing the industrial opportunities of men by appraising the values of location. It is really a method of equalizing the common resistance R. The rent charge is thus not a tax, but the purchase price of the facilities F, the revenues of equalization coming back to society commuted into valuable services and enhanced industrial efficiency.

Taxation, in whatever form it may be exercised, is an arbitrary seizure of private property. The taxing power is a despotic power that finds its warrant only in the formative stages of society as a predatory expedient to cover a predatory wrong—the wrong of disenvironment. There can be no just tax, and there never was a popular tax. By no exercise of economic ingenuity can the load of taxation be equalized by artificial assessment. This alone should condemn a principle morally vicious, politically dangerous, and economically unjustifiable. The tax system is a national school of perjury and corruption of public morals. It lowers the civic pride, degrades the public conscience, and makes for dishonesty in public and private life. The paramount function of State is to protect men in their rights to inviolate sovereignty, and in their rights to private property. Taxation aggresses them in both these rights.

THE SOLVENCY OF VALUES THE KEY TO THE SOCIALIZATION OF ECONOMIC FUNDAMENTALS

If applied economics, as a science of human welfare, is to be worth while, it should make for the equalization of the rewards and sacrifices of production, and its doctrines must therefore be premised in equalized opportunities. Man is master of his economic destinies. He can change, not alone his environment, and his physical organism, but his text-books. Our current institutions find their warrant and support in our current theories, and these theories are inconsistent with economic righteousness.

Present interpretations are based in the private ownership of economic fundamentals and the capitalization of these fundamentals into effortless incomes. Not alone is the environment privately held, but the money function is privately owned and controlled. Society is thus divided into an advantaged and a disadvantaged class. The private owners of economic fundamentals capitalize their advantage into a tribute from the disadvantaged and justify the financial seizure as a reciprocal service. The question of an economic "square deal" is thus a question of socializing these fundamentals, and strange as it may appear, the key to this socialization will be found in the solvency of values.

The mechanics of the industrial process depend upon the solvent flow of values and services. The money of a country is the blood-plasm of circulation, carrying the corpuscles of nutrition to every organ and tissue of the social structure. If the serum of circulation be deficient, reparatory processes arise to compensate for the deficiency and become a drain upon the organism. The interest-rate is such a drain, and under private capitalism becomes a forfeit from the unpropertied to the propertied.

The dispensability of gold fixed its money-scope at its marginal value. The exigencies of business, however, demanded the cumulative expansion of this value to a point where a credit system could be profitably operated. Economic automatism placed the time limit from thirty to ninety days and the money volume at a hundred times its marginal value. The general insolvency could now be mobilized into a circulation of money debts, and a conditional solvency be achieved by time expedients. The inflation stopped automatically at a point where such time expedients could be profitably operated, and left no available surplus of money means. Such a chronic shortage of money assets was keenly felt, and the whole history of financial legislation has been one sustained effort for money volume. It soon became apparent, however, that every attempt to expand the circulation beyond the inflated money-scope resulted in a depreciation of the money unit and a debasement of the currency.

Believing such depreciation to be a normal phenomenon of all currencies, the money-scope of the metal basis was misinterpreted into a law of money. No effort was made to discover the law of solvent functions, and for want of a scientific explanation of the "quantity theory" the money unit came to be regarded merely as a standard by which the real "wealth" or "capital" might be measured, and while to this day there is no unanimity of opinion as to what is, and what is not "capital," all authorities are fully agreed that it is not, and cannot be, money. In view of the utter worthlessness of gold as a utility, the most ardent champions of the metal basis refuse to regard the "small bits of metal" as a competent substitutional value of final payment. Hence we are taught that money is a "deferred payment"—a mere "token," or "counter" of value—but not a valuable consideration in itself. We have seen why the gold coin cannot be taken seriously as a competent and confidence-inspiring value. Nevertheless, gold is a part of the world's "capital" and the only permanently mobilized and standardized portion of it.

What then is the rest of the world's "capital" but an unmobilized and unstandardized substitutional value, that is to say, an inchoate money means? What is the "general purchasing power" of our distinguished preceptors but the credit system in movement—that is, the organized insolvencies of capitalism in process of parasitic liquidation with the risk-discounted assets of industry in pawn? The "general purchasing power" is a perpetual flow of money debts coined into a perpetual flow of private incomes by the machinery of credit.

Without "guarantees" there can be no credit system, and without "capitalized debts" and risk-discounted assets, there can be no guarantees. The public debts of the world, incurred for wars and war-footings, constitute more than one quarter of the world's "securities." These "funded" debts make up the most available and most desirable assets of credit finance, and hence, not only the "public debts" but the wars that produced them, came to be regarded as "public blessings."

Were all values supersolvent in the money-base, the term "capital" as an expedient of morbid finance could not have been thought of, and "credit," except as an evidence of insolvency, would have had no economic significance. In fact, our interest-bearing notes, bonds, mortgages, and other funded voracities, organized for perpetual parasitic liquidation, loudly proclaim the universal insolvency of values, and so too, our "securities," our "guarantees," and "pledges" (of money payment) are mere verbal confessions of such general insolvency.

The world is insolvent, and the credit system is only a means of mobilizing this insolvency into a wide-flung, panic-laden circulation of liabilities. We are perpetually and wastefully "coining" perishable assets into a costly "purchasing power," and are thus manufacturing solvency as an article of commerce. We are buying and selling it over the bank counter as so much merchandise. Like other products of commerce, artificial solvency follows the law of demand and supply, fluctuating from a scarcity value of six cents on the dollar to a panic price where liquidation ends in disastrous discounts and business failures.

Capitalism is "propertyism." We are, so to speak, "property" solvent, that is, "asset" solvent, but not "money" solvent. "Propertyism" is a method of achieving "money" solvency by offsetting assets against each other on the pages of a ledger. Money solvency is cash solvency.

Property solvency is credit solvency. One is costless, the other costly.

Propertyism (capitalism) is a standing menace to the industrial stability and prosperity of the world. It alone is the cause of all our panics and depressions. It alone is responsible for the vagrancies, poverties and charities of unemployment. Leaking at every joint through the open seams of capitalism, and with distress signals forever flying, the ship of Industry sails the waters of financial insolvency with the pumps of credit working overtime to keep it afloat. Instead of being eternally supersolvent and financially independent of one another; instead of "spot-goods" exchanging for "spot-cash" on even terms without discount; instead of daily adjustments of business-gains and losses, each day closing with a clean slate—we are eternally subsolvent and financially dependent; our material assets are forever in pawn to Private Finance for solvent functions; our books are swamped with running accounts, delayed liquidations, and chronic money-debts, and we live in a constant state of apprehension lest the scope of business overtake the scope of credit by trenching upon its cash guarantees. Meanwhile the community is honeycombed with cumulative liabilities, merchants are perilously interdependent for solvent means, and the business of the country is on the verge of insolvency and panic. One serious failure may involve the rest, and like a house of cards bring down the credit structure in a heap.

Our present concept of capital is a sad jumble of verbal inconsistencies which much academic discussion has failed to clear up. Apart from the means and instrumentalities of production F, what is this "capital" but a money resource? The credit system is only a circulation of money debts for which the unstandardized assets of commerce stand sponsors, while a scant money-means and costly banking processes perform the wasteful and operose functions of delayed liquidation. These stupendous values so dwarf and overshadow the beggarly money-base that they come to be regarded as the paramount thing, while the circulating "bits of metal," the only real liquidating factors of the credit system, are looked upon merely as a "measure" of these values. Meanwhile the coinage of these guarantees of liquidation into means of payment is a continuous performance, and the seigniorage, in terms of interest, a perpetual cost. Every credit transaction is a lapsed money function translated into a book account. The credit is not a money, but a "promise to pay money," and credit finance is merely a method of bartering goods and values against one another on the pages of a ledger. The exchange is effected by mutual cancellation, the credit unit yielding up its pecuniary life in a single transaction, hence, while the money unit, when once coined, is good for indefinite function, the perishing credit is a currency of perpetual recoinage, and hence of perpetual waste of function. This waste of function begets a bank charge of two per cent or more for operating the credit system, which added to four per cent or less for the premium for scarcity of money means, makes the cost of artificial solvency amount to about six per cent. The former rate is a cost, not of production, but of compensation, and the latter a cost, not of production, but of an avoidable scarcity of money means, both costs being wasteful and uneconomic. Hence credit finance, as a tool of solvency, is at best a primitive and wasteful expedient. Imagine the economies of an industrial system where the machinery of production must be daily replaced by a brand new equipment! Yet such is the economy of the credit system. Not only do the wastes of financial function become a serious charge upon the collective effort, but the costs of credit solvency, as will be seen, became a source of profit to the privileged, at the expense of the unprivileged.

PRIVATE CAPITALISM AND EFFORTLESS INCOME

PRIVATE capitalism is a private institution and the traffic in solvent functions is the *exclusive privilege of the propertied classes.* This astounding privilege confers upon private finance a power for evil which it is difficult to contemplate with mental composure. To make chattels of the money function is to make chattels of men. To traffic in artificial solvency is to traffic in the seized powers of industry. For the State to surrender to the vicissitudes of private enterprise and profit the most vital of all industrial factors, is not only to abdicate its highest collective function, but to raise up powerful financial masters to dominate and feudalize the common people.

Natural or artificial, material or immaterial, every value and every service bears the shop-marks of private capitalism, and pays Private Finance a royalty of six cents on the dollar for the privilege of solvency. The whole world is perpetually in debt to these private owners and dispensers of solvent functions for the expense of artificial liquidation. Every dollar's worth of property is actually and potentially a "money debt" for the cost of solvency incurred in its industrial development, and the world's values are a huge capitalized debt in perpetual discount and liquidation. For these costs *the propertied collect from the unpropertied a charge called interest.* They collect it through a privately capitalized environment, a privately capitalized industry and a privately capitalized commerce. This tribute appears as an added cost to living. It is exacted in enhanced prices and advanced rent charges. It becomes a perpetual lien on the propertyless—a mortgage on the earnings of the producer which he is powerless to lift.

As this charge falls actually and potentially upon every unit of the average per capita wealth, a conservative estimate will show that, to the propertyless, such a tax represents fully twenty-five per cent or more of the average income of the wage-earner. Thus the unpropertied worker is in perpetual bondage to private finance for one quarter of his services. He is one-fourth slave and three-fourths freeman. The bond markets of the world are only so many State-protected slave markets where the financially-seized labor powers of the unpropertied are marked down to the highest bidder. Ten thousand dollars' worth of sustained solvent functions will purchase the labor powers of a man forever, and neither sickness nor death can terminate the "bondage," for it capitalizes the born and mortgages the unborn. Unlike chattel slavery, its crude and brutal alternative, capitalism is a refined and genteel method of appropriating a service. It avoids the unpleasantness and responsibility of outright slavery and thus spares the finer sensibilities. It has furthermore the sanction of economic authority, and this salves the conscience of the learned and mollifies the feelings of the charitable.

A composite curve of wealth drawn from approximate data will show that about five per cent of the people are above the line of average property possession, two per cent on the line, and ninety-three per cent below the line. Under our present controls the five per cent above the line become parasites upon the ninety-three per cent below the line. There is absolutely no escape from the financial vampirism unless one is on the neutral line of average property possession, where these voracities are balanced against each other. To be above the line is to "draw income." To be below the line is to "yield income," the largest economic forfeit being wrung from the poorest and most helpless members of society.

Had the wasteful costs of capitalism been equalized through the taxes by operating the credit system as a State function, the spoliation of the unpropertied by the propertied might have been avoided. Under such public finance the costs of the credit system would have fallen equally upon the propertied and unpropertied and been felt as a common loss. But under private finance the capitalizers could shift the whole loss upon the capitalized, and convert the privilege of liquidation into a source of income. Thus the propertied classes not only escaped their own just share of the national loss, but by shifting it upon the unpropertied, they were enabled to capitalize the common distress and their class advantage into fabulous private fortunes. Some of these fortunes are over one hundred and fifty thousand times the average per capita wealth; and so great is the voracity of capitalism, that nothing but the brevity of life has saved mankind from having become the feudal property of one supreme parasite.

These stupendous fortunes easily organize themselves into irresponsible personal controls and feudal dominions. They give rise to a lordly leisured class not only independent of the industrial process and outside of the law of reciprocal service, but wholly separated from the aims and interests of the common people whose substance it devours. This class, with its feudal training has feudal leanings and imperialist ambitions. Being industrially foot-loose it becomes politically busy hatching schemes of empire and the subjugation of alien races by re-enforced war-footings and strongly centralized governments, for Imperialism begets militarism. These men have always been, and are now, a standing menace to free institutions.

All perversions of economic justice have their source in feudal advantage. Without the private usurpation of economic fundamentals, which gave rise to effortless affluence and arbitrary power, there could have been no class dominions, no wars, no slaveries, no serfdoms and other characteristics of the predatory stage of man's social beginnings. It is only because of such violations of economic equity and opportunity that all attempts to establish a real democracy have failed. Democracies cannot flourish in a soil suitable only for growing artificial disparities in the livings of men. Yet upon such feudal foundations stand the governments of the world, and upon such feudal bases rest our theories and doctrines of political science!

We capitalize the wastes of functional insolvency into parasitic incomes, appraise the voracities of capitalism as a private "wealth," and list the seized powers of the unpropertied producers as a national asset! Meanwhile, capitalism has no justification in public expediency. It is a hindrance R, and not a facility F. It is wasteful, not economic—a loss and not a gain—an illness and not a health. It is a consuming force and not a producing power.

The "capitalized income" as a doctrine of normal economics has never been seriously questioned by our text-books, although practically every writer has thought it his duty to apologize for it. The justification is sought in the alleged "productivity" of capital, such productivity giving rise to "surplus value." But the wealth assets of nations are not as "productive" as the free utilities of nature. Not all the "capital" of the world is as important to production as the air we breathe, the water we drink, or the reproductive powers of nature upon which we depend for our subsistence. Without either one of these urgencies man would perish before he turned a wheel.

How much "surplus value" shall be written off for the "usufruct" of air? How much for water? How much for the reproductive forces of nature? How much for the light and heat of the sun? And who is entitled to collect this tribute? Capital has its *wage of function* in perpetual upkeep. Why then should it demand a bonus?

In this rivalry among the factors of production, what about the real productive agent without which there could be no capital? The

Southern aristocrats wrote off for the interest rate on their capitalized slaves. Why, then, may not free Labor write off for an interest charge on its capitalized powers? Why can it not at least share in its own despoilment? The situation is absurd, and any attempt to justify it unworthy of common intelligence.

Effortless incomes are wrung out of monopolized urgencies. They come from the unwarranted monopoly of economic fundamentals, and not from any reciprocal service rendered to society. Engross any of the free urgencies and you may feudalize the world, for they become "capital" and demand "income." Industry is not helped, but held up; incomes are not yielded, but exacted.

The theories of interest have no better standing. We are taught, for instance, that "capital" is scarce and perishable—that it must be "snatched from the jaws of appetite," and that interest is the reward of abstinence. Yet the forbearance of men is not motived in usury, but in providence, and providence is not based in self-sacrifice, but in self-interest; for were the penalties of providence greater than the rewards, there could be no "saving instinct."

Usury, however, is based, not so much in the optional forbearance of the rich, as in the enforced self-denial of the poor. The sacrifices of "saving capital" are vicarious. The "financed" masses are obliged to practice the most rigid economies, stinting, pinching, and denying themselves, so that their financial masters may profit by their "abstinence," and live in parasitic extravagance and splendor.

It cannot be said, moreover, that the interest rate is due to a scarcity of "capital," when the credits of the country constitute less than ten per cent of the aggregate assets; nor that capital is perishable, when one-half of these assets are permanent and indestructible. The scarcity is not in concrete values, but in liquid values.

Because some men underrate future enjoyments for present enjoyments, and present goods appear to have a greater value than future goods, we are taught that such undervaluation is the cause of the interest rate. Were this true, then rural populations, where interest rates are high, underestimate the future more than city populations, where the rates are low, and there is hence a sliding scale in the estimation of present and future values according to where men live. Then again, as our industrial potential rises, and efficiency overtakes our wants with a generous surplus, the "saving of capital" may not be as important as its overproduction, and hence the justification of interest as a function of sacrifice is weakened. Furthermore, only children and degenerates undervalue future realizations, and they cannot influence the interest rate. Men do not live for themselves but for their families, and the civilization of the world is the civilization of the provident, the improvident and their breed being marked for elimination. Of course, to a starving man, a dollar to-day may be worth more than a million to-morrow; but the urgencies of the necessitous cannot organize themselves into a general tax on the means of solvency.

Normally there is no economic advantage in present possession except that based in the life-risk, which seems to be confused with the time element of delayed liquidation. Because life is short and death an ever-present contingency, some men will discount the uncertain for the certain and sell a right to future income at a loss. Such a discount, however, is not an interest rate, and can bind no one to its terms but those directly concerned.

The notion that interest is paid for "capital" and not for the solvent function, is one of those clever expedients of perplexed genius, which by side-stepping difficult questions and side-tracking embarrassing problems, is enabled to give error the countenance of truth. Probably nothing will interest the future student more than the waste of mental resource and ingenuity in defending and perpetuating error, where a smaller expenditure of intellect would have sufficed to discover an unassailable premise. We have been in a state of mental inhibition which prevented us from perceiving the simple truth that our credit system is a patchwork of compensatory and panic-laden expedients of solvency, and that the interest rate is the measure of the cost and wastes of artificial liquidation.

We were aware that the "money value" of gold was out of all proportion to its utility value, and yet we saw nothing wrong with the money basis.

We noted the narrow money-scope of the "precious metals," but failed to interpret the meaning of the "quantity theory."

The wild fluctuations of the stock market traced our industrial delirium in rising peaks of financial frenzy and descending troughs of insolvent ruin; but we saw nothing wrong with the credit system.

We perceived society falling apart into two distinct classes with interests antagonized, and social disparities enormously exaggerated; and yet we saw nothing wrong with our text-books.

With all these pathologic symptoms and the industrial fever-chart staring us in the face, we failed to diagnose the morbid situation.

Yet had the money function been a public function, and the land privilege the common privilege, there could have been no annuities from fundamentals. Had all values been fluid in the money-base, solvency would have been costless, and the lame apologies for "capitalized income" and the dozen or more impossible theories of interest would have been left unuttered.

PRIVATE FINANCE IS A MONOPOLY OF SOLVENT FUNCTIONS

PRIVATE FINANCE is a private monopoly of solvent means, and whatever limited competition we have enjoyed under the credit system has become a vanishing advantage since the advent of trust combinations and mergers.

Although the national assets are superabundant, there never was a time when capital as a money resource overtook the industries of any nation. There is no premiumless capital; that is, there is no costless money function. Solvency is costly, and credits must be trimmed down to the marginal needs of business emergency, leaving no idle surplus of liquid means wherewith to challenge the formidable combinations of private capital. There is no profit in bank reserves. This is why bankers want an elastic currency, which in times of money dearth may be stretched to meet the demands of business, and in times of "redundancy" be contracted, so as to keep the circulation within those nice limits where every dollar will be "earning" interest and where prices will remain unaffected. Unless every dollar is busy drawing interest bank stocks will depreciate. Hence a competitive redundancy of money-means, by which to dispute the financial monopoly, is incompatible with credit finance, whose natural limitations find their expression in an interest forfeit. In fact the credit system and the interest charge are the offspring of subsolvent conditions, and such conditions are incompatible with idle, and hence premiumless, reserves.

A monopoly of solvent means fixes the scope of business and places society under the absolute dominion of a few overlords of private finance, who can set aside the laws of competition and nullify the safeguards of economic automatism. The admissions of Judge Gary and Mr. Carnegie before the Stanley Committee should convince the glorifiers of the credit system that Private Finance is a private monopoly of solvent means, and that until overthrown, nothing but State interference can save us from financial absolutism and a closed business monopoly. In the face of these admissions, what becomes of economic automatism as a self-regulating principle and the sheet-anchor of political science? If anything is well established in economics, it is, that the State cannot and should not regulate prices and wages, and that the law of competitive demand and supply is alone the sure criterion of what they shall be. It is the duty of State to *prevent* monopoly, not to *regulate* it—to *promote* competition, not to *control* it by statute. The fact is, that our private capitalism has made a sorry mess of our economic theories, and led us into inconsistencies more and more irreconcilable with any rational scheme of social mechanics.

It stands to reason, that before we may have competitive business, we must have competitive money-means. It is self-evident that there can be no idle reserves where solvency is at a premium, and that hence, there can be no competitive money-means under Private Finance.

The traffic in economic fundamentals is a traffic in human lives, to say nothing of human rights; and yet our present theories and doctrines are based in such private commerce. The environment is the collective resource, and costless solvency the collective right and privilege; and yet both land and the money function are privately engrossed for tribute.

Divested of all verbal subleties and ambiguities, our so-called "science of wealth" is really the science of manipulating the voracities of capitalism for private profit. Our conception of wealth is a feudal concept. Wealth, as we have seen, is a function of scarcity, and scarcity may be artificially produced by monopolizing the urgencies. The pressure of population on the public resource does not produce "wealth" in the sense of a general prosperity, but it creates a scarcity in the common resource, which private owners of land may "capitalize" into private wealth. In other words, the urgencies of the poor may be translated into the wealth of the rich. Place the fence of monopoly around the free utilities and you have wealth and riches within the enclosure in so far as you have stint and poverty without. Were the environment the collective property of men, and did public policy demand a conservation of public lands by advanced rent rates, such an enhancement of land values would be felt as a public calamity, and such public wealth viewed as a disaster. But under private ownership the stints and misfortunes of the disenvironed may be capitalized into the incomes of an owning class. Thus, while under public ownership the law of Malthus operates alike on the propertied and unpropertied, under private ownership this law becomes a tool for the enrichment of the former and impoverishment of the latter. The land owner not only escapes all payments of land rent, but is enabled to demand services from the landless. What applies to private landlordism, applies to private capitalism, the parent of all financial voracities—for the only moral support for the "capitalized income" from land, comes from the interest rate on "Capital." Without such support the great wrong of private ownership would have become apparent to all men. Pressure of population on land gives rise to a scarcity value in public resource. Pressure of business on solvent means gives rise to a scarcity value of solvent functions. We appraise the scarcity values of a privately owned renting privilege in terms of the scarcity value of a privately owned money privilege, and thus lay the foundation for our predatory concept of "Wealth" and "Capitalized Income." Hence, "scarcity values," which our census statistics list as a national asset, are not a public "wealth," but only a predatory means by which the labor powers of the socially disadvantaged may be appropriated without recompense.

In the last analysis, all wealth implies ability to demand the services of society. So long as such services are reciprocal, the private wealth of individuals is merely a measure of the just claims such individuals have on society for services actually rendered. There can be no injustice in such private wealth. *Indeed, the foundations of any rational scheme of society must be laid in the inviolate rights of private property, and it is only because these rights have been infringed under present arrangements that we have a social problem.* Sharing the common economic misapprehension, and wholly oblivious of the hidden black-mask and dark-lantern of Private Finance, alias "Capital," Proudhon overlooked the real culprit when he charged "Private Property" with the crime of "robbery." It is not Private Property, but Private Capitalism that is the Raffles of industry. It is Private Capitalism, in the canonicals of authority and the cloak of Science, that makes effortless income appear socially respectable and economically justifiable. While noisily proclaiming the "sacredness" of private property, it robs the unpropertied and divides the plunder with the propertied.

The incomes of capitalism are seized incomes. Beyond the privilege of perpetual upkeep (wages of function), and the privilege to exploit the risks of commerce and industry for profit, capital has no economic right to any bonus, and under supersolvent conditions will become a flat, incomeless value.

OUR COMMERCIAL DOMINIONS

INSTEAD of being under the impersonal laws of science, and the administration of economic experts capable of interpreting and applying them to social needs, we have been in the past, and are in the present, under the dominion of mercantile empirics.

The functional insolvency of values in the money-base vested the commercial classes with the dangerous powers and responsibilities of artificial solvency, and their self-imposed duties and responsibilities came to be regarded as a part of the distributive function. Practically the whole technics of what is called "business," consists in the ability to maintain solvent functions under insolvent conditions, the solvent flow of goods and services depending wholly upon the private owners and manipulators of credit means. "Take care of business and business will take care of prosperity," we are admonished. "Industry waits upon business and fails when business fails," we are warned. The inference is plain; to be industrially saved we must stimulate business—that is, we must tax the "producer" for the benefit of the "distributer." To enlarge the profits of business we must go into wasteful production: we must set legislative barriers to competition and so divert the industrial effort into artificial and wasteful channels of production.

Private Finance blends manufacturer, trader and capitalizer into one supreme factor—the "business man"—upon whose ability to remain solvent, hang the industrial destinies of the "financed" and "tariffed" producer. The integrity of the industrial process depends upon the sustained integrity of the credit system. This sustained integrity depends in turn upon two contingencies. First: There must be no business failures; and Second: The scope of business must not overtake the scope of credit. Either alternative will precipitate a panic and arrest the industrial process. Hence the exaggerated importance of the commercial classes as supreme factors of the industrial movement.

The world is organized and run as a mercantile institution. Our State controls are commercial controls, and public policies are shaped by, and for, commercial interests. Current standards are commercial standards. Current economics are commercial economics. The world's governments are the mouthpieces of the trading classes, and our congresses and parliaments are the Upper and Lower Chambers of Commerce.

We tax cheapness and subsidize dearness to boost the profits of commercial exploiters. We prematurely exhaust the resources of the country by the overproduction of steel, oil, lumber, and other raw materials, in order to enlarge their parasitic fortunes; and we even permit them to defraud and poison us with adulterated foods and drugs to further swell their exaggerated incomes. We perceive the dishonesty of diluting sugar with glucose and coffee with beans, but overlook the larger dishonesty of diluting four or five hundred other items with a tariff impost; and while resenting the petit larceny of the misbrander and debaser, we remain blind to the grand larceny of the tariff-taxer.

The spectacular prosperities of private finance and of privileged commerce loom up so large in the economic eye that they monopolize its field of vision. It does not occur to our prosperity shouters that the rapacities F in the economics of the advantaged, become the voracities R in the equation of the disadvantaged; and that such vampirism is at the root of all our social iniquities and miseries. It should be obvious that the distributing classes cannot be more important to society than the producing classes; and that the social dividend P cannot be increased by placing obstacles R, in the path of the economies F of commercial interchange.

Unjust institutions seek refuge in armaments. The imperialisms and militarisms have always been, and are now, the distinctive features of commercial dominions. The world's competitive products are distributed under emulative war-footings instead of emulative decency and fair play. The governments of nations are so many military and diplomatic expedients of commercial aggression and rapacity, and their cabinets the fiscal agents of resident and self-expatriated commercial exploiters.

Behind every war (waged ostensibly for the public benefit) there lurks some local class advantage magnified into national importance, and back of it stands the banker and the financier.

We assume the quarrels of these exploiters; we tax ourselves for their militarisms and otherwise commit ourselves to their international rivalries and war-footings on the plea of "patriotism" and the fallacious belief that commercial forestallment and an "open door" are a guarantee of an enlarged field of employment. Meanwhile, the world's market is not a means of multiplying opportunities of employment, but only a means of economizing the common effort by distributing the world's industries according to their marginal importance to the common need. Furthermore, except as a pitiful dupe and vassal, the feudalized producer has no economic or "patriotic" interest in the militarisms and war-footings of his economic overlords. Stop the source of idle income and the power to tax, and there remain no incentives for territorial encroachments, and no valid excuse for organized violence.

The history of private finance and its commercial dominions is a history of social upheaval and economic antagonism. Financially, we are in a state of chronic insolvency; industrially, in a state of potential panic; socially, on the point of insurrection, and internationally on the brink of war.

No one will seriously contend that traffic in economic fundamentals and the exploitation of the voracities of credit finance confer any benefit on mankind; and yet practically all the energies of the parasitically advantaged go into the manipulation and exploitation of these voracities. It requires no high order of intelligence to set the leech of capitalism to the artery of labor, nor to organize its parasitic powers into monopoly profits by mergers and consolidations. Yet practically all the services of the financial classes are of that order—services which could be dispensed with under supersolvent conditions. The functions of the commercial classes are not financial but distributive. It cannot be said that these functions are more important to the community than those of the inventor class or of the professional classes.

Our civilization can never repay the Edisons, Bells and Burbanks, to say nothing of the Darwins, Pasteurs, and their kind; but aside from a few of the former who may have risen to fortune, is it reasonable to believe that the useful services rendered society by the four or five thousand millionaire traders, real-estate speculators and financiers of this country are on the average worth more than the average income of the professional classes? It is quite safe to say that all the incomes of the millionaire class over and above such an average are wholly outside of the law of reciprocal service and therefore purely parasitic. It would of course be foolish to underrate the abilities of these men so wastefully misapplied under present conditions. Their parasitic advantage makes them independent of the industrial process and places them above the common interests. Being outside of the law of reciprocal service, they are enabled to live in effortless magnificence and luxury wholly apart from the strivings of the common herd upon whom they prey, and whom they mock by their unapproachable extravagance and feudal standards of living.

Were their class-interests the common interests—the welfare of each depending upon the welfare of all—civic pride would not be identified with "real-estate booms," artificial "business expansions," and other private prosperities based in the exploitation of usurped fundamentals and population pressures, but would concern itself with the general welfare and higher planes of living.

Were their interests the same, the root causes of corruption, bribery, jobbery, and inefficiency in public office would be removed.

Were their interests identical, there could be no "sweat-shops," no child labor, no exhausting hours of employment, no tenement-house evils, and no civic ugliness. Such conditions would be incompatible with public expediency and economic efficiency.

As it is, these men and their capitalisms stand for industrial wastes and social sufferings that stagger the imagination. The social recourse is the self-liquidation of fundamentals. Socialize the idle income and the face of civilization will be changed.

Self-liquidation will decapitalize the money function, defeudalize industry, demilitarize commerce, and decommercialize our political controls. Shorn of their financial power and confronted on every hand with vast incomeless liquid means competing for investment, the commercial classes will be thrown upon their competitive abilities, and like all other producers in the field of reciprocal endeavor, be called upon to establish their true marginal importance to society. It will then be a matter of profound indifference to the worker whether locally, nationally, or internationally, the trading classes are successful or unsuccessful in their business rivalries, so long as he is not taxed for their militarisms and can get his wares in the open market at their competitive price. Whether they fail or do not fail, will make no difference to the industrial and financial stability of the country.

THE ECONOMIC RESPONSIBILITIES OF STATE

PUBLIC expediency demands the socialization of all natural monopolies. Not alone the economic fundamentals, but the means of transportation, communication, distribution, and all other monopolizable public privileges should be socialized by self-liquidation. The law of equal opportunity, as the law of public expediency, should be the basic law of political science. No government can long endure whose foundations have not been laid in economic righteousness, and sooner or later all organic laws of nations will have to pass the tests of economic fitness and expediency in the Courts of Science.

It would of course be a waste of time to argue with those who still believe that "governments" are divinely ordained and their rulers supernally inspired. To believe that Supernal Wisdom had anything to do with our predatorily based and feudally conducted governments is to believe that rank economic stupidity and folly constitute Supernal Wisdom. If economic justice is the criterion of a normally constituted State, then, not a government on earth deserves to-day the name of "State."

It may be said, in a constructive sense, that all governments have entered into an alliance with a financial class to rob the public by capitalism, and with a commercial class to exploit it by tariffs and subsidies. Without imputing anything but the best motives to our financial and commercial controls, no one will maintain that the present governments and their economics represent the common interests of men.

Now the State, as the foster-parent of private capitalism, must be held responsible for whatever social injustice may flow from it. Society in its corporate sense has no defendable right to confer titles of private ownership to economic fundamentals, and thus to hand over one class of men for financial spoliation by another.

It is the paramount duty of the State to equalize the industrial opportunities of men, in default of which it should be held liable for all damages and losses due to its administrative incapacity or neglect. It is the duty of the State to abolish private capitalism and socialize idle income by costless solvency, or failing to do so, to maintain all men on an equality of property possession.

No arguments for the overthrow of unjust institutions are so potent as those which successfully assail defective economic foundations and the organic laws based upon them. Challenge the integrity of these foundations with conclusive evidence and the social edifice must crumble.

The constitution of the United States, with honest intent, stipulates that no man shall forfeit his property without due process of law, and yet the State is responsible for economic conditions that nullify this provision, and therefore every man below the line of average wealth has a right of action against the government for economic larceny. Ninety-three per cent of the people are robbed by capitalism. All but one-tenth of one per cent are robbed by tariff laws. All but a few speculators are impoverished by panic industrialism, and practically all are aggressed in person, property, and liberty, by the taxing power. For any of these injuries men have a right of action against the State, and the first case for the plaintiffs will do more for the cause of social reconstruction than all the French Revolutions and other popular uprisings have ever done or can ever do.

Our social arrangements are fundamentally dishonest, and our political controls must be held constructively to blame for the dishonesty. Capitalism and its feudal dominions are on trial for wholesale robbery. The plaintiff is the Routine Producer, some ninety millions strong, and his case is as strong as his number. Let him bring suit through competent counsel, and economic feudalism and its text-books are doomed.

According to the wealth curve shown herewith, the distribution per family for 1900 may be classified as follows:

Class	Per Cent	Fortunes
First Estate.............	0.1	Six to nine figures.
Second Estate............	0.9	Five to six figures.
Third Estate.............	4.0	$6,000 to $10,000.
Neutral Estate...........	2.0	$5,000 to $6,000.
Fourth Estate............	93.0	Below $5,000.
	100.0	

If the latest estimates of Mr. Rockefeller's holdings are to be believed, the curve of ultra-parasitism and irresponsible power rises abruptly into space nearly a mile, that is, nine thousand times higher than the one-hundred-thousand-dollar level, and more than one hundred and fifty thousand times higher than the average wealth line. And if our text-books are to be taken seriously, Mr. Rockefeller has conferred such vast benefits on humanity that it will require the collective effort of ninety thousand average men, *working forever,* to pay for them!

Parasitism is a universal phenomenon. One-half of the world devours the other half. Consideration and forbearance have never been a test of survival on the physical plane of evolution, nor have they as yet become a criterion of biologic fitness on the psychic plane. There is a benevolent parasitism, however, wherein host and parasite live in an amicable reciprocity of functions. This happy state is called symbiosis. Perhaps the leisured classes may even now be economically vindicated on the score of such reciprocal consortism?

All civilizations arose parasitically from the vitals of Industry, but neither host nor parasite was aware of the social symbiosis. Without leisure there could have been no learning, and without learning no social advancement and no civilization. Hence the predatory seizures and parasitisms of the past find their justification in evolutionary expediency.

The civilizations of the world have always been, and are now, the civilizations of the parasitically advantaged. Probably less than one-tenth of one per cent of the community—the feudal efflorescence of private capitalism—is in absolute control of our social and political arrangements. Back of these controls stand the survived institutions of social growth and development with their roots deep in the soil of feudal tradition and dominion. These controls and their champions and supporters make up all there is of the "State" and the "Society" of our day. Conspicuous in the civic foreground they stand, class-conscious, and socially apart from the routine producers out of whose bonded and mortgaged powers their spectacular fortunes are wrung. The stage-properties of civic life and the machinery of government are in their hands. They control all the avenues of social advantage, monopolize all the higher luxuries and amenities, parade their ostentatious and unapproachable livings in vassaled splendor, obstruct our highways with their liveried conveyances, and exhaust all the resources and possibilities of exaggerated income. They impose their feudal ideals and standards upon the stupid host, establish class differentiations and distinctions, fix the social boundaries, enact the canons of leisured gentility, prescribe the punctilios of polite convention, and set the pace of emulative parasitism and extravagance. It is their civilization and they are the civic culmination and expression of its economics.

Being the evolutionary product of such arrangements, and lacking a criterion of social normality, we are incapable of social self-introspection and self-analysis. Meanwhile these institutions are intimately interwoven into one another by endless conventions and habits, and firmly held together by thousands of private and class interests. So nicely are they fitted into the feudal scheme of things that but few perceive their abnormality or suspect their transitory character. We are apt to forget that the very essence of life is eternal change, and that nothing is permanent in nature but the Evolutionary Impulse, of which this change is a panoramic expression and manifestation. Even atoms change their subatomic equivalences, and chemistries their mathematical formulae.

We ascribe greater permanency to human institutions than they possess and greatly overestimate the civilization of our age. Yet on the dial-plate of social advancement we are still close to the zero point of economic achievement. Chattel slavery is still fresh in the minds of a million pensioners in these United States, and serfdom in Austria and Russia has not yet faded out of the memory of the living. We still decide economic problems by opinion, and international questions by violence. Our "best citizens" quench their elemental ferocities in brutal lynchings and burnings and Christianity murders Jews in holy Russia and pious Roumania. The torch of the Spanish inquisition died out less than a century ago. The despotic controls and disciplines of crude and rudimentary civilizations are apotheosized into celestial kingdoms, and great masses of mankind live their narrow, ritualized, and dominated lives, in superstitious fear. More than ninety per cent of the human race live in abdicated selfhood, with their sovereign powers in trust to some usurping despot, and the vast majority are feudalized by the owners and exploiters of economic fundamentals. The history of mankind is a history of paternal dominion. Man was born and reared in an atmosphere of feudal control, and he lived and died under the rule of despotic dynasties arrogating to themselves absolute powers over his person. Dominion pursued him from the cradle to the grave, until the monarchic idea became a dominating concept capable of being expanded into a cosmic principle upon which a universe might be built. Man is only now beginning to recover from his feudal obsession, and the story of political reform is a story of his struggle to redeem his sovereign powers from the grasp of personal dominion and paternal control. Every Magna Charta of enlarged freedom is a record of some partial redemption of his economic rights, and the movement for personal sovereignty cannot cease until all dominions and paternalisms are swept away, and man and woman shall stand forth in equal dignity and freedom, acknowledging no dominion and no power but that of the underlying Verity and Spontaneity of things which finds its interpretation in the laws of science.

No one is to blame, however, for our intolerable conditions; our social miseries and disparities were not made to order, but grew out of our evolutionary immaturity and necessity. No hard and fast lines separate the different classes of men, and the privilege of economic vampirism is not monopolized, but is open to anyone capable of overtaking the voracities consuming him and of rising to the parasitic level of propertyism where he may put on the screws of private finance and push the button of compound interest. As parasites tend rather to increase in size than in numbers, any accession of parasites from the outside is followed by corresponding and possibly greater defection from the inside, and hence the number of the host class has no tendency to diminish. The privilege to share in his own despoilment, therefore, confers no benefit upon the routine producer who bears the whole load of economic iniquity. From the prostrate body of Labor rises the ladder of "Capitalized Income," with its topmost rung one hundred and fifty thousand times higher than the average wealth line. In order that a diminishing percentage of the parasitically advantaged may mount the rungs of idle income, an increasing percentage of the disadvantaged must be content to hold the ladder. Hence the shallowness of the argument that all men may achieve success and prosperity under present arrangements.

It is no disparagement to individuals that they take advantage of conditions the fundamental injustice of which they do not even suspect. Social equality does not imply equality of fortune, but only equality of right to economic fundamentals. There will be disparities in fortunes just so long as there are disparities in brains, but such disparities can violate no equities where incomes from fundamental urgencies have been socialized.

It is no more a disgrace to rise above the average of property possession than to rise above the average of intelligence, and yet under our financial vampirism every capable man who accumulates a well-earned competence becomes a parasite upon those who are below the line of average wealth. All normal men are honest and desire fair play, and the most ardent and most influential reformers come from the ranks of the parasitically advantaged. When once the enormity of present interpretations is realized, such men will not be the last to demand a thoroughgoing reform.

Sooner or later the intellectually advantaged, whether they wish it or not, become parasitically advantaged; and thus in a way, it may be said, that the parasitically advantaged belong to the class we have called "speculative producers," while the disadvantaged belong to the class designated as "routine producers." While the routine producer contributed nothing but his muscle and acquired automatism to the civilization of his age, the speculative producer furnished the brains and became the social initiative and movement. He seized the environment and became a landlord. He seized the primitive money-means and became a capitalist. These tremendous powers made him absolute master of the economic situation, and reduced the worker to a state of vassalage.

Had our theories been based in equalized opportunities, our economic interpretations could not have been reconciled with the servitudes and subordinations of feudal dominion. It is only because the slaveries and serfdoms of the past were not found inconsistent with current economics, that they persisted so long and gave way only when the moral sense of mankind revolted against them. We still speak of the "working classes" and the "servant question" from that lofty "leisure-class" point of view which perceives fixed class differentiations among men, and even our text-book writers assume, unwittingly, a patronizing, class-conscious tone in dealing with the labor problem. A very superficial self-introspection will prove that we are feudal to the core—that our dress, our drama, our fiction, our social conventions and standards, and even our religious ideals, all proclaim a feudal ancestry. Yet we are, in effect, one and the same man, and though endlessly differentiated by environment, our economic destinies are identical. Equalize all opportunities, and the decapitalized world will be overrun by potential Morgans and Carnegies and other speculative producers competing for livelihoods not incompatible with the incomes of other callings, and not inconsistent with the law of reciprocal service.

The fact confronts us everywhere, that society is divided into two distinct classes whose interests are apart. There are the "owners" and the "owned"—the lords of the environment and the disenvironed renters—the lords of private finance and the ultimate renters of solvent functions—the capitalizers and the capitalized—the tariff-taxers and the tariff-taxed—in short, the advantaged and the disadvantaged.

Everywhere the advantaged constitute themselves the initiative and referendum of all social and industrial movements, write their own class-economics, and operate the machinery of civilization to suit their especial class interests. Everywhere, too, the disadvantaged have been overlooked as co-operative human factors, and like the yoked ox and harnessed horse, have been left outside the pale of economic interpretation except as an exploitable facility F in the hands of a capitalizing agent E.

The hopelessness of the routine producer was pathetically set forth by classical economists in an "iron law of wages," and his elimination at the margin of subsistence explained by the law of Malthus. Meanwhile the voracities of capitalism and landlordism were devouring his substance and piling up effortless incomes for his feudal masters and economic mentors. We saw the parasite in the glory of his effortless possessions and secret power, but we overlooked the host. We perceived the "Income" side of economics but failed to see the "Outgo" side. We interpreted into our texts the interests of the advantaged five per cent, but ignored the interests of the disadvantaged ninety-three per cent. The tumor, and the body it feeds on, have separate processes and separate economics. We mistook pathology for hygiology, wrote a treatise on morbid states and functions, and called it "political science."

Brainless Labor is only a stupid beast of burden, neither able to voice its industrial wrongs, nor to correct them. Modern educational facilities have raised the "brother to the ox" to the intellectual plane of his economic overlords, and hence the unrest and discontent everywhere prevailing, and the demand for social reform. The social question is not a question of compensatory meliorism, as our political controls imagine, but a question of fundamental justice. It is not a question of legislative expedients, but a question of applied economics, which in the new interpretation is coincident with applied justice. No reformer, whether Individualist, Socialist, Single-Taxer or Trade-Unionist, demands for his system more than simple economic justice—the justice of equal industrial opportunity. In the socialization of land values and natural monopolies by self-liquidation, all the demands of social justice are fully met and all the aims of social reformers are realized. No one has a patent on nature and hence no proprietary rights in economic fundamentals. Nothing but equalized opportunities and socialized urgencies will remove the beak of capitalism from the breast of Labor, and the stigma of shame and reproach from our economic teachings.

Gowned and mortar-hatted in the vestments of academic learning and authority, error has prevailed where naked truth has perished. The time of change has come. The hope of humanity lies in its advanced economic thinking—in its unlabeled and unorthodox intelligence—in the insurgency of economic students and leaders of thought. It is for them, not only to revise our theories and rewrite our treatises, but to bear the torch of social reform and lead the way to a peaceable readjustment of our conditions.

Meanwhile, before any break with present conditions is possible, the divided forces of reform must unite upon a common platform—not a platform of political opinion but a platform of political science. There is but one truth, and science is its interpretation. Opinions are contentious and belligerent. Science is at peace. There can be no reconciliation between rival factions until their programs are fused in the crucible of science and the slag of error is separated from the metal of truth; and there can be no permanency in social reform unless that reform is based in applied economics.

The principles upon which all reform parties may be united have been indicated in these pages. At the base of human justice is "equality of opportunity," and such equality is incompatible with Private Finance. "Labor" is at a discount because "capital" is at a premium. Until capitalism is destroyed, the routine producer remains an industrial vassal, and the so-called "dignity of Labor" a standing satire on complacent servitude.

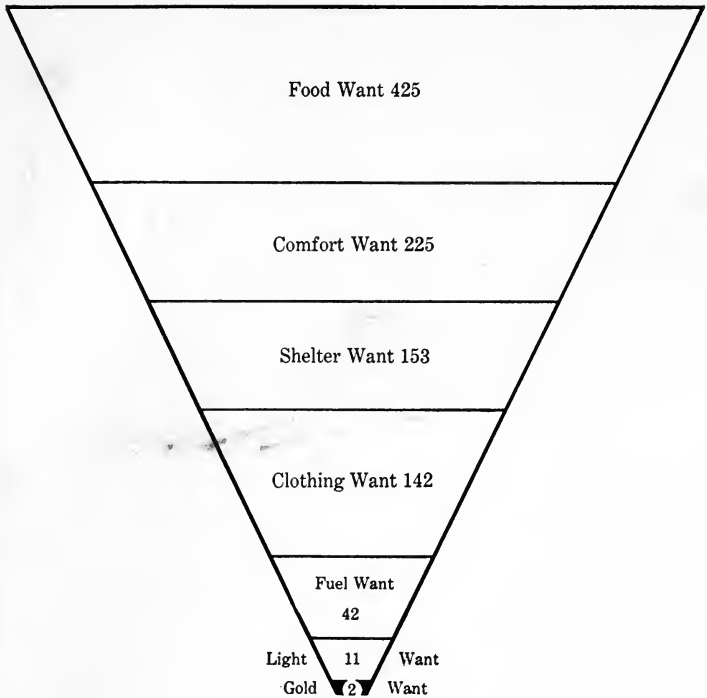


PLATE I

MARGINAL VALUE OF GOLD

showing the insolvency of commercial values in the metal basis.

DATA

Eighteenth Annual Report of the Commissioner of Labor—Income Expenditure of 2567 Families in the United States for 1901.

Annual Report of the Director of the Mint for 1901—Consumption of Gold in the Arts. (See Appendix.)

NOTE

In order to avoid discrepancies arising from the progressive devaluation of the metal basis the data for the "Pyramid of Financial Instability" and for the "Composite Curve of Wealth" have been based in the same year as the data from which the "Marginal Value of Gold" has been determined.

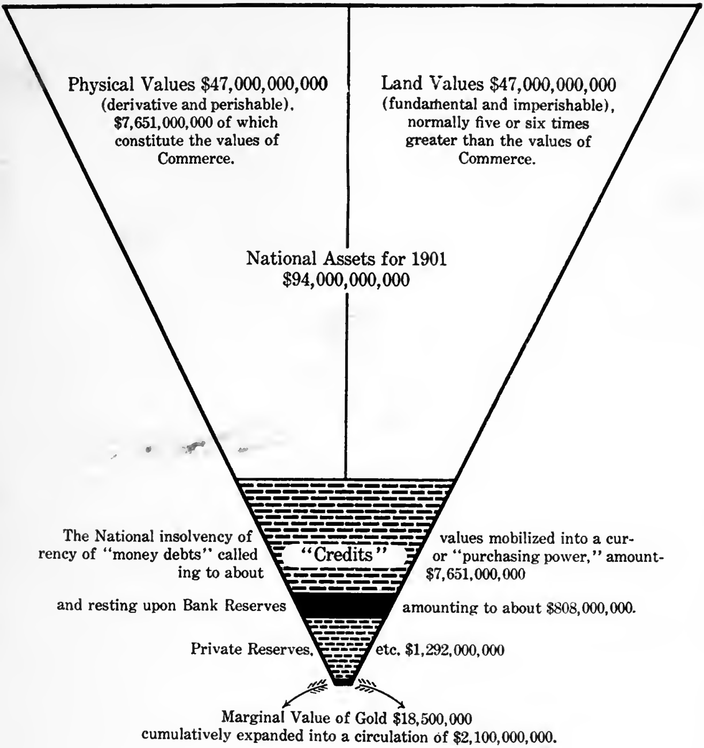


PLATE II

PYRAMID OF FINANCIAL INSTABILITY

The Monetary Situation in the United States for the year 1901.

The tax on land has socialized about twenty per cent of its rent "income" and thus reduced its market value one-fifth. Adding this fifth to land valuations and allowing for the value of public lands, and for the franchise values of railway and other rights of way, an analysis of the Twelfth Census will show that the physical assets (inflations of the money-base deducted), were about equal in value to the land assets of the Nation in 1900, each amounting to about $47,000,000,000. (See Appendix.) With the land assets mobilized into a currency of self-liquidation, all derivative and perishable values may be rendered "money-solvent" in fundamental and imperishable ones, commercial values supersolvent, and the money function competitive and costless.

$100,000 Level

PLATE III

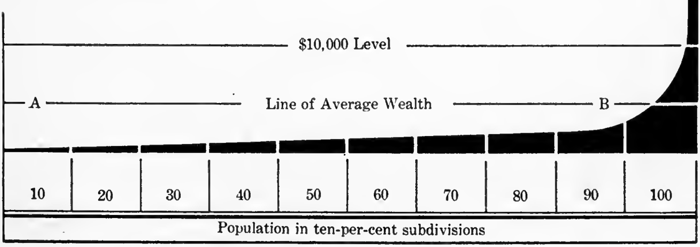
COMPOSITE CURVE OF WEALTH

The average wealth per family is based in the Twelfth Census, and its distribution in the determinations of G. K. Holmes, Political Science Quarterly, December 1893; Charles G. Spahr, "The Present Distribution of Wealth;" and "The New York Herald" of April 28, 1901. (See Appendix.)

Number of families 16,187,715. Average wealth per family of 4.7 persons $5,500. The line of average wealth A–B, divides "Capitalizer" from "Capitalized."

Assuming that two per cent of the people are on or near the line of average wealth, then about five per cent are fairly above the line and about ninety-three per cent definitely below it. Those above the line are parasites upon those below the line.

The distributive share at the extreme end of economic dispossession dwindles to nothing while at the other end the ultra-parasitic millions shoot up into space some nine thousand times the limits of this page. This streak of irresponsible wealth is the feudalizing force of the world.



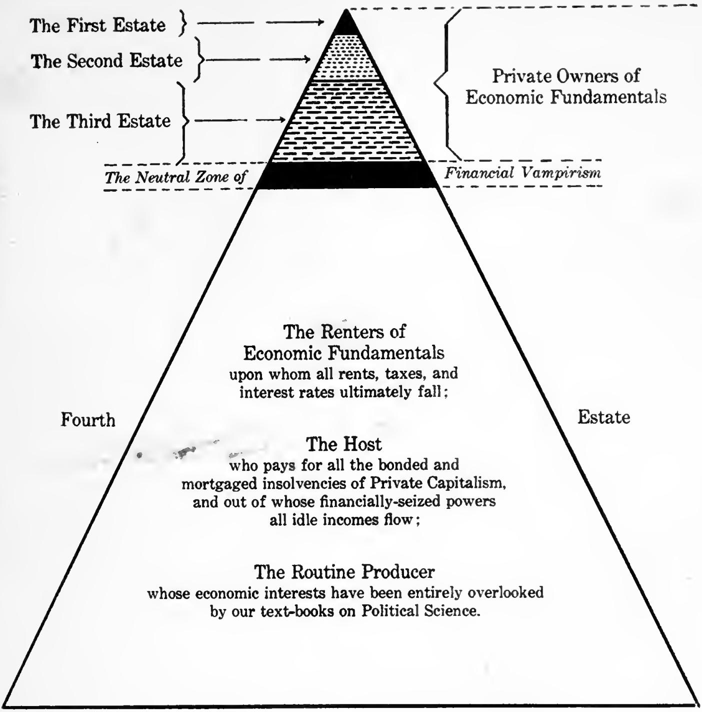


PLATE IV

THE PYRAMID OF SOCIAL PARASITISM
(Based in the Composite Curve of Wealth)

The First and Second Estates comprise about one per cent of the community and own between them more than one-half of the country's material resources. The First Estate—the high distillate of Private Finance, whose parasitic fortunes rise beyond the scope of the Wealth Curve—owns about one-third of the aggregate property assets of the nation, and controls the rest by its financial absolutism. It dominates all avenues of production and leisurely takes its toll out of the dispropertied ninety-three per cent, who are utterly helpless to resist the financial seizure. It feudalizes the people by its irresponsible power, and degrades them by its "benevolence." It builds churches, libraries and universities, retires super-annuated scholarship on a pension, and—strange irony of fate—endows chairs of Political Science out of the proceeds of the economic sin!

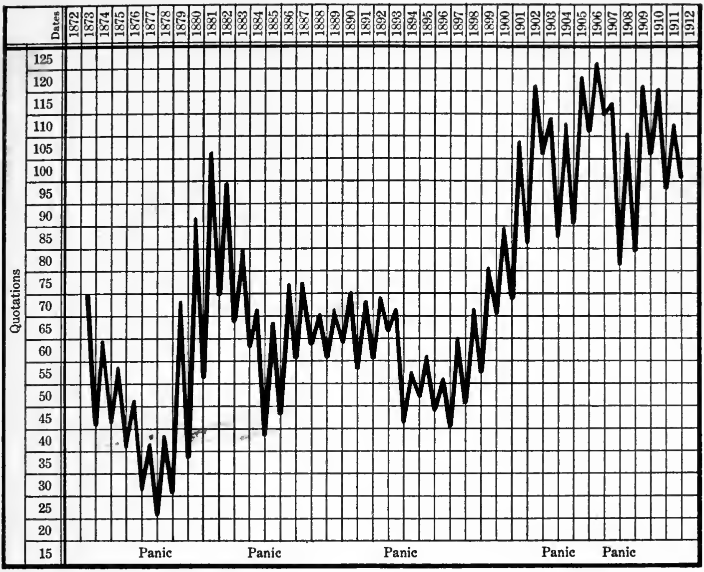


PLATE V—THE FINANCIAL FEVER CHART

Traced from the average fluctuations of sixty active railway stocks. (Dun's Review for January 6, 1912.)

The recurrent high and low levels are not due to recurrent periods of successful and unsuccessful management of railway properties, nor to periodic gains or losses in railway assets, but to the discounts of a fluctuating scarcity of money means—that is, to recurrent periods of distrust in the general solvency of values. Apart from the manipulation of the market by dishonest speculators and the influences of subsidized privilege, the average fluctuations are not the fluctuations of stock values but of money values. Under supersolvent conditions where the money line remains permanently straight, there can be no concerted movement of values and the average price level will find its expression in a straight line.

In this chart of panic finance are reflected not alone the chronic insolvency of values, but the depreciation of the money base, the risks of tariff legislation and other interior and exterior influences.

The high crests of spasmodic "prosperity" mark the critical points where the scope of business trenches upon the scope of credit by encroaching upon its cash guarantees, the periods of acute money distress being punctuated by panics. As the money function is a collective function and supersolvency a State responsibility, governments must be held to blame for the periodic disasters of private finance.

COMPOUND INTEREST

At five per cent compound interest, "Capital" doubles itself every fourteen years, its power to absorb the common earnings increasing in a geometric ratio with every cyclic interval of fourteen years. In less than forty cyclic intervals the cumulative interest on one dollar will overtake the present estimated "wealth" of the world. In the curve of interest herewith, the limits of the page are reached in nine cycles of time, the progressive power of the interest rate to consume product being given in figures.

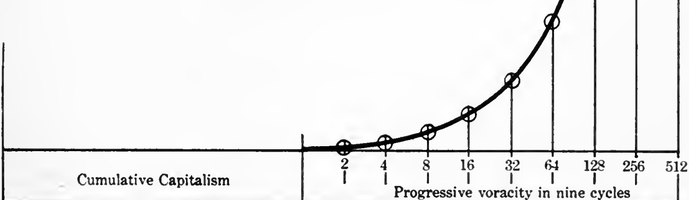
As gold has been depreciating about two per cent yearly for the last forty years or so, the average wage-earner's income of $768 per family, in 1900, should now be worth $950. Estimating the average income at $800 only, and the number of families at twenty millions, the aggregate annual earnings of Labor should foot up about sixteen billions of dollars. Out of this total, the propertied classes collect from the unpropertied without a reciprocal equivalent, between four and five billions of dollars yearly.

It is this unjustifiable tribute from usurped fundamentals, which creates such amazing disparities in the livings of men, and raises up industrial and commercial dominions subversive of free institutions, and wholly incompatible with the ideals and principles of a democratic commonwealth.

THE CURVE OF COMPOUND INTEREST

AT FIVE PER CENT

PLATE VI



APPENDIX

THE MARGINAL VALUE OF GOLD

THE average per capita money outlay for any item of expenditure, represents its average marginal value in relation to other average per capita outlays. The marginal value of a thing represents its intrinsic importance in relation to other things.

In the Eighteenth Annual Report of the Commissioner of Labor, there are given statistical tables showing the average expense for rent, fuel, lighting, food, clothing, and sundries, for some 25,000 workingmen's families residing in different parts of the country. In the case of 2,567 of these families, greater detail and more careful elaboration of items has made the tables not only more available for our purpose, but more trustworthy.

Arranged to run in an orderly rotation of relative cost, the items are as follows:

Income Expenditure of 2,567 Families in the United States for 1901

Number of families	2,567
Average size of family	5.31
Total income per family	$827.19
Total expenditure	$768.54

Items of Expense	Amount	Per Cent
Food	$326.90	42.54
Rent	117.41	15.28
Clothing	107.84	14.04
Sundries	45.13	5.87
Fuel	32.23	4.19
Furniture and Utensils	26.31	3.42
Insurance	20.97	2.73
Medical and Mortuary	20.54	2.67
Intoxicating Liquors	12.44	1.62
Amusements	12.28	1.60
Tobacco	10.93	1.42
Membership Fees	9.05	1.17
Books and Magazines	8.35	1.09
Lighting	8.15	1.06
Religion	7.62	.99
Charity	2.39	.31
Total	$768.54	100.00

The table shows what value an average workman places upon his various economic needs, and how much of his income he is willing to expend upon each individual item. The percentage column may be said to represent the strength of his various wants, and, economically speaking, to measure the ultimate or marginal values of the various utilities indicated. Food has the first claim on income, and hence takes the largest share of a worker's wages. Man must eat; he must be sheltered, and he must be clothed. Hence these wants take precedence of all others where income is limited. It will be noticed that there is a difference between income and expenditure in this statement, amounting to $58.65, which appears as a saving or surplus. When, however, the average standard of living reaches its highest development, the reserves of competence will remain practically constant and there will be *on the average no saving.* Consumption will keep even pace with production, and income and expenditure will balance one another at all times. For this reason, and in the absence of accurate income statistics, it may be expedient to regard $768.54 as the average yearly income and yearly disbursement of an average workingman's family in the United States.

Now under the head of "Sundries" there is comprised a multitude of more or less dispensable utilities which the compilers did not think worth while to specify. The vanity of display is still strong in human nature, and among other personal adornments, there is felt a need for gold ornaments, dental fillings, trinkets, etc. What is the strength of such a need? Fortunately there is no trouble in arriving at an accurate estimate of the per capita "gold want."

In 1901, when these data were collected, the United States consumed in the arts, according to the annual report of the Director of the Mint, $18,482,330 worth of new gold. The population of that year is estimated at 77,754,000 persons. This would mean a per capita expenditure of less than 24 cents for gold, which for a family of 5.31 members, amounts to about $1.25. That is, out of a total yearly income of $768.54, an average family would expend $1.25, or less than one-fifth of one per cent, to satisfy its gold appetite. This expenditure measures the marginal value of gold as compared with the marginal values of all other items of economic consumption in the table. Deducting this amount from the "Sundries" account and placing it in its proper order on the chart of marginal values, we should have:

Items	Amount Expended	Per Cent
Food	$326.90	42.54
Rent	117.41	15.28
Clothing	107.84	14.04
Sundries	43.88	5.67
Fuel	32.23	4.19
Furniture and Utensils	26.31	3.42
Insurance	20.97	2.73
Medical and Mortuary	20.54	2.67
Intoxicating Liquors	12.44	1.62
Amusements	12.28	1.60
Tobacco	10.93	1.42
Membership Fees	9.05	1.17
Books and Magazines	8.35	1.09
Lighting	8.15	1.06
Religion	7.62	.99
Charity	2.39	.31
Gold	1.25	.20
Total	$768.54	100.00

According to this showing, less than one-fifth of one per cent represents the "gold thirst," or marginal value of gold, on the average wage-earners' budget. The utility that gold satisfies measures up less than one five-hundredth of the total utility of the aggregate expenditure.

In order to simplify our conception of the marginal values of the items in this budget, it will be expedient to place all the absolutely dispensable expenditures in the "Sundries" account. The "Sundries" account may be classed as "Comforts" and the "Rent" item as "Shelter." Thus changed and rearranged, the items will appear thus:

Wants	Expenditures	Per Cent	Strength of Wants in Thousandths
Food	$326.90	42.54	425
Comforts	174.76	22.57	225
Shelter	117.41	15.28	153
Clothing	107.84	14.16	142
Fuel	32.23	4.19	42
Lighting	8.15	1.06	11
Gold	1.25	.20	2
Total	$768.54	100.00	1,000

Reducing these figures to a geometrical chart, the plate shows diagrammatically, not only the relative importance of the various items of consumption, but also the volume or amplitude of their respective values. That is to say, the intrinsic value of "Food" on this particular budget, is more than 212 times that of gold; "Comforts" more than 112 times; "Shelter" more than 76 times; "Clothing" 71 times; "Fuel" 21 times; "Lighting" more than 5 times, and the aggregate items more than 500 times.

THE DEPRECIATION OF GOLD

ALTHOUGH Adam Smith seems to have realized that productive sacrifice was "the only standard by which we could compare the values of different commodities at all times and all places," neither he nor his successors adopted the wages unit as a basis for estimating the depreciation of the metal basis. Yet, while all values have slowly shifted and changed by improved methods of production, the costs of these values in units of sacrifice have remained the same.

Were trustworthy wages statistics available for the last two or three centuries, the average rates paid would accurately show all fluctuations in the values of the money metals. We have no such data.

Buried in the literature of the past there are doubtless scattered the records of wage-rates, which, if collected and classified, would give us a starting-point for future comparisons. But the perplexities that confront the student of wages statistics, and the risks of a wrong interpretation of rates, are so great, that only those who have tried it can realize the scope of the undertaking. Furthermore, wage-rates differ in every country; and comparisons, to be reliable, must be wholly local. These differences in wage-rates are due to variations in the industrial pace, variations in the natural and artificial facilities and resources F, and variations in population pressure on such resources. Fortunately, a few reliable wages data and approximate results will answer the purposes of this quest.

Thorold Rogers, in his "Six Centuries of Work and Wages," gives the yearly income of the English hind, or farm hand, in the thirteenth and fourteenth centuries, at about thirty-five shillings and eight pence. The money standard of that time was based in the "Tower" pound, which contained three times as much silver as the present English standard. Hence, reduced to current English money, this income would amount to 107 shillings, or about $25.68 in American money. According to the "Report on Wages, Earnings, and Conditions of Employment of Agricultural Laborers in the United Kingdom," published in 1905, and quoted in Bulletin No. 71, Bureau of Labor, the wages of agricultural laborers averaged on sixty-nine farms in 1903, $3.55 per week, or $184.60 per year, exclusive of compensation for piece work, harvest work, overtime, etc. This income shows an apparent increase in wages of about six hundred per cent since the thirteenth century, and indicates that gold production has been cheapened seven-fold.

At the building of Newgate prison in London, in 1281, carpenters were getting from four to five and a half pence per day, or an average of about four and three-quarters pence for skilled labor. This would amount to $1.71 per week. In 1905, according to Bulletin No. 77 of the Bureau of Labor, carpenters and joiners averaged $10.65 per week, in London. This would show an apparent increase in wages of five hundred and twenty per cent, and indicates that gold production has been cheapened more than six-fold since that date.

According to the "Revue d'Economique" of 1887, quoted by Mulhall, average French rural labor was paid twelve cents, and operative labor eighteen cents per day in 1768, while in 1880, one hundred and twelve years later, the same labor was being paid forty-four cents and sixty-six cents respectively. This would show an apparent increase in wages of about two hundred and sixty-six per cent and a cheapening of gold three and two-thirds times.

According to the data furnished by Ellison, quoted by the same authority, the average wages paid in cotton-mills in 1839, was four a half cents per hour, and in 1889, nine and one-quarter cents per hour, showing an apparent increase of one hundred and three per cent in fifty years, gold having become twice as cheap.

From the census figures given in table number two, Bulletin No. 57, Bureau of the Census, the per capita wages in 1860 averaged $274.00, while in 1905 they averaged $490.00, showing an increase of eighty per cent in forty-five years.

From 1897 to 1907 wages rose nearly thirty per cent, showing an average depreciation of gold of three per cent per year during that time, but from 1890 to 1907 wages rose but twenty-eight per cent, showing an average depreciation of gold of 1.6 per cent. These great discrepancies are due to our cyclic industrial convulsions, and become the sources of grave errors in wage comparisons.

According to the Aldrich Report sent to the Senate, March, 1893, wages rose 89.6 per cent between 1840 and 1891.

Quoting from Carroll D. Wright's "Industrial Evolution of the United States," carpenters averaged sixty cents, common labor forty-three cents and shoemakers seventy-three cents in 1790, while the same labor averaged $1.40, $1.00, and $1.70 per day respectively in 1860, showing an average increase of about one hundred and thirty per cent in seventy years. The increase from 1860 to 1891, according to the Aldrich Report, amounted to 68.6 per cent; while from 1891 to 1907, according to Bulletin 77, Bureau of Labor, wages rose 27.67 per cent. Splicing these figures together, starting with *100* for 1790, we should have *230* for 1860, *387* for 1891, and *494* for 1907, showing an increase in wages of three hundred and ninety-four per cent in one hundred and seventeen years.

If in the same way we take the figures of the Revue d'Economique as a starting point and splice it with figures from the Aldrich Report and Bulletin 77, we shall have *100* for 1768, *366* for 1880, *432* for 1891 and *551* for 1907, showing an approximate increase in general wages of four hundred and fifty-one per cent in one hundred and thirty-nine years. Where wage rates may be handled in the percentage form, such a blending of rates is permissible and avoids all errors due to the localized differences in wage-levels.

Gathering up these fragmentary data into a table of comparisons, we have the following record of wage-advances:

Dates	Occupations	Time	Apparent Wage Increase
1300 to 1903	Farm Labor	600 yrs.	600 per cent
1300 to 1905	Carpenters	600 yrs.	520 per cent
1768 to 1880	Various	112 yrs.	226 per cent
1768 to 1891	Various	123 yrs.	332 per cent
1768 to 1907	Various	139 yrs.	451 per cent
1790 to 1907	Various	117 yrs.	394 per cent
1790 to 1860	Various	70 yrs.	130 per cent
1790 to 1891	Various	101 yrs.	287 per cent
1839 to 1889	Cotton Spinning	50 yrs.	103 per cent
1840 to 1891	Various	51 yrs.	88 per cent
1860 to 1905	Various	45 yrs.	80 per cent
1897 to 1907	Various	10 yrs.	30 per cent
1890 to 1907	Various	17 yrs.	28 per cent

From an analysis of the table of comparisons, it appears that nearly all of the decline in the cost of gold production occurred within the last one hundred and fifty years, and that prior to that time wages remained practically on a level.

We are probably quite safe in saying that, to-day, gold is worth one-sixth of what it was two or three hundred years ago. The depreciation within the past three decades has been very great, and is going on probably at a rate of two per cent a year. The gold dollar of fifty years ago is worth only about fifty cents to-day, and in another fifty years will be worth only twenty-five cents if we persist in using the gold basis.

The production of gold acquired a great impulse during the rise of the factory system in the early part of the nineteenth century, when "capital" was in great demand for steam-power installations in all kinds of industrial production.

Watt's steam engine was invented in 1769, Arkwright's loom in 1785, Whitney's cotton gin in 1793; these, and other historic inventions, were crowding fast for application on modern lines of machinery production, and overtook the usual moderate supply of "liquid capital." Gold was scarce, and hence it at once responded to the demand by becoming dear—by expanding its "scarcity" value so as to meet the pecuniary demands for liquidating enlarged credits.

Professor Jevons, in his study of prices, found that between 1809 and 1849 (when the factory movement was at its height), gold values rose one hundred and forty-five per cent. By 1859 they fell twenty per cent below normal. The discovery of gold in California, improved methods of banking, improved facilities of transportation, and the inflow of gold from less enterprising countries, not only restored the former level but overtook it. Meanwhile, still richer sources of gold supply were found, and new and improved methods of production were at work cheapening the output. The cyanide process and the gold dredge are responsible for much of the cheapening.

LAND VALUES

SPEAKING commercially, the land holdings of the Choctaw and Chickasaw Indians are probably worth ten times as much to-day as the whole territorial United States was worth three centuries ago.

In colonial days, land could be had from two and a half to ten cents an acre. In 1778, North Carolina offered settlers a square mile of land for sixty-four dollars, or at the rate of ten cents an acre. In 1779, Kentucky offered pioneers four hundred acre sections for ten dollars, or at the rate of two and a half cents per acre. So great was the bid for settlers that virgin land could be had for the bare cost of recording a title. Since then, all arable soils have been taken up and nothing is left but undesirable land. This remnant is held at a flat rate of $1.25 per acre. An acre of land in the heart of the city of New York is worth to-day more than ten million times that value. Land in the vicinity of Wall Street is assessed as high as $300.00 a square foot, though an office building twenty-five stories high rarely cost more per square foot of lot area than $200.00. A small plot of land on Broadway and 34th Street valued at $10,000 in 1855, brought $375,000 or $350.00 a square foot in 1901. Near the Bank of England, land is worth about $16,000,000 an acre, while in the heart of the financial district in New York land averages about $20,000,000 an acre. A few years ago lot No. 1, thirty-nine feet on Wall Street and thirty feet on Broad Street, sold for $700,000, or at the rate of about $26,000,000 per acre.

According to the "Report of the Commissioners of Taxes and Assessments" of the City of New York, for the quarter ending June 30, 1907, the assessed value of the land in New York City amounted to $3,563,293,224, while the improvement values amounted to $2,140,-716,428, the rate of land to improvements being 62.5 to 37.5 per cent respectively. In the Borough of Manhattan, land values are 67.2 per cent of the total values, while in the first section of Manhattan, land is 70 per cent of the total, or two and a third times as valuable as the physical improvements upon it. The assessed value of land in New York City is nearly twice as great as the value of land in the balance of the State. Six square miles of land in the neighborhood of Central Park are more valuable than the assessed value of all the real estate in the State of Missouri. Wherever the commercial, industrial, and social interests are condensed, there the land values easily overtake the improvement values. Indeed, a little reflection will show that land values are independent of the *cost* of the improvements, but are dependent upon the co-operative efficiencies that are attained, and the pressure of population upon these efficiencies. Cut down your population and values fall. Cut down your efficiencies and rents decline.

By that reciprocity of interests which binds all communities together, it may be said, that land values in cities, depend not alone on their own urban populations, but on those of the country of which they are the civic components and commercial centers. Rural land values rise in sympathy not only with rural improvements, but with urban improvements, and thus tend, on the average, to overtake local physical values faster than cities.

In the assessed valuations given no allowance is made for streets, parks, water areas and other tax-exempt properties, and where public park areas and waters are extensive, and their values have not been included in the tax appraisements, the real land values are much greater than would appear. Thus, the average assessed land values in New York City are 62.5 per cent of the total. But of the $1,156,346,803 exempt values, about seventy-five per cent are chargeable to land and were they included in the estimate, the land ratio would be 64.8 per cent. Furthermore, the special franchise values in the city amount to

$466,855,000, while the physical values of these properties amount to only $69,615,950, being thirteen per cent of the total valuation. Were these added, the ratio would rise to 66.4 per cent.

The following ratios of land valuations to total valuations culled from the New York City Report of Taxes and Assessments for 1907 may be of interest:

Average land values first section of Manhattan	70.0%
Average land values for Borough of Manhattan	67.2%
Average land values for City of New York	62.5%
Average land values for Boston	60.7%
Average land values for Milwaukee	55.5%
Average land values for Detroit	53.9%
Average land values for St. Louis	51.2%
Average land values for Baltimore	44.0%

As stated, no allowance has been made in these estimates for public properties.

The Twelfth Census places the value of farm lands and factory lands at $14,085,427,275, and the value of buildings and structures on these lands at $5,006,043,275. This would make the ratio of land values to improvement values, seventy-three per cent. Were due allowance made for exempt park and other public properties, the general value of land in cities would probably reach sixty per cent.

The Twelfth Census gives us the following estimates of the "wealth" of the United States for 1900:

1.	Real property and improvements taxed	$46,324,839,234
2.	Real property and improvements exempt	6,212,788.930
3.	Railroads and their equipment	9,035,732,000
4.	Street railways	1,576,197,160
5.	Telegraph systems	211,650,000
6.	Telephone systems	400,324,000
7.	Pullman and private cars	98,836,600
8.	Shipping and canals	537,849,478
9.	Waterworks, private	267,752,468
10.	Electric light and power, private	402,618,653
11.	Live stock	3,306,473,278
12.	Farm improvements and machinery	749,775,970
13.	Manufacturing machinery, tools and implements	2,541,046,639
14.	Gold and silver and bullion	1,677,379,825
15.	Agricultural products	1,455,069,323
16.	Manufactured products	6,087,151,108
17.	Imported merchandise	424,970,592
18.	Mining products	326,851,517
19.	Clothing and personal adornments	2,000,000,000
20.	Furniture, carriages, etc.	4,880,000,000
	Total	$88,517,306,775

Items 1 and 2 give the appraised values of all the taxed and exempt land improvements. The values foot up a total of $52,537,628,164. To get at the net land values, the improvement values must be deducted from this total. As already mentioned the farm and factory values are rated at $14,085,427,275 and the value of the buildings on same at $5,006,043,278, making a total of $19,091,470,553 in farm realty. Deducting this from the total realty values there is left $33,446,157,611 chargeable to city realty.

We have estimated that the average value of land in cities would reach 60 per cent of the total value, but in order to be on the safe side we will place the average at, say, 52.5 per cent. If this estimate be approximately correct, then about $17,550,000,000 of this amount will represent land values and $15,896,157,611 improvement values. Adding these items separately to the respective farm and factory valuations, we get $31,635,427,275 for total land values, and $20,902,200,889 for total improvement values. From these figures it would appear that the general average of land values is about sixty per cent of the total realty values. In these estimates, however, no allowance has been made for the franchise values of the efficiencies of transportation and communication, and of the light, power and water supply installations of private ownership, which appear itemized in the "wealth" statement Nos. 3 to 10 inclusive. These items foot up $12,530,960,359. Judging from the New York City estimates, already quoted, where franchise values were more than six times as great as the physical values, we are probably safe in estimating at least sixty per cent, or about $7,500,000,000 of this total, to consist of franchise values chargeable to land, the balance, $5,030,960,359, representing the physical values of these efficiencies. Adding this to $31,635,427,275 we get $39,135,427,275 as a revised total of land valuation which would appear to make the land ratio about sixty-five per cent. But before we can get the actual land value, one more revision will be necessary. States and municipalities collect a land tax. It is a well-known principle in economics that, of all taxes, the land tax alone cannot be shifted upon the tenant. The heavier the tax, the smaller the rent income, and the cheaper the land, until, finally, when the tax rate is so great that it absorbs the whole rent value, land becomes worthless as an investment and may be had for the tax rate, which becomes the rent rate. Now the state, county, and city governments, exercising the right of eminent domain, collect a part of the rent of land in the form of a tax. This tax diminishes the value of the land to the extent that it diminishes the rent value. How much has the value of land been impaired by this tax? The revenues collected by these local controls amounted to about $706,660,244 in 1902. The ratio of real estate to personal property amounted to about seventy-eight per cent according to the assessed valuation of each, and hence the revenue from realty may be figured at about $551,000,000. We found the apparent ratio of land to improvements to be about sixty per cent, and hence, about $330,600,000 of this amount is chargeable to land. The people, in the person of their government, collect in this $330,600,000 a part of the rent of the common environment, the balance being collected by private owners. Were there no land tax, this amount would swell the receipts of private ownership, and land would at once rise over twenty per cent in value. As it is, a part of the rent income has been socialized by the tax rate and land is bought and sold in the market at its *residual* value. The land investor pays less for land. That is why the tax cannot be shifted. Were the tax suddenly raised, however, the competitive value of land would fall. The landowner could not collect as much rent as before, and he could not make good the loss. Such an arbitrary public policy would constitute a confiscation of private property, and compound the economic felony. Landlordism is only an optional capitalism. "Capital" has the alternative of seeking other forms of idle income, and hence, landowners cannot be singled out for social reprobation and punishment because of fundamental wrongs for which economic empiricism alone is responsible.

"Capitalizing" this annuity of $330,600,000 at the current rate of four per cent, we find its income value to be equal to an investment of $8,265,000,000 in land. Adding this to our revised total of $39,135,427,275, we obtain a grand total land value of $47,400,427,275. Economic obscurity, taking refuge in economic vagueness, has called these reflected values of industrial co-operation, the "unearned increment."

Rearranging the "wealth" chart for 1900, the items may be condensed and classified as follows:

1.	Land values	$47,400,427,275
2.	Buildings and structures	20,902,200,889
3.	Transportation and communication efficiencies and municipal installations (Nos. 3 to 10 inclusive)	5,030,960,359
4.	Manufacturing machinery, tools and appliances, farm tools, implements and equipments (Nos. 12 and 13)	3,290,822,609
5.	Food reserves, in process (Nos. 11 and 15)	4,761,542,601
6.	Other products, in process (Nos. 16, 17, 18)	6,838,973,217
7.	Household utilities	4,880,000,000
8.	Clothing and adornments	2,000,000,000
9.	Money metals	1,677,379,825
	Total	$96,782,306,775

The capitalized land tax has increased the census total by $8,265,000,000.

As has been explained, the land values are efficiency or "facility" values. They are mostly the reflected values of the industrial instrumentalities, Nos. 2, 3 and 4, of the rearranged chart. These improvement values foot up $29,223,983,857. Hence, if these estimates are reasonably fair, the approximate ratio of land values to improvement values will be about 62.0 per cent. The tax rate on land depreciates its market value about 21 per cent, hence the real ratios of land to improvement values would be so much greater in cities. The average land values in the Borough of Manhattan would amount to about 80 per cent of the total, or four times the improvement values.

THE DISTRIBUTION OF WEALTH UNDER PRIVATE FINANCE

ACCORDING to an estimate made by the *New York Herald* in its issue of April 28, 1901, 3228 millionaires, representing one two-hundredth of one per cent of the population, owned one-fifth of the wealth assets of the United States.

G. K. Holmes (*Political Science Quarterly*, December, 1893) estimates the division of the national wealth for 1890 as follows:

9	per	cent	owned	71	per	cent	of the	wealth
28	"	"	"	20	"	"	"	"
63	"	"	"	9	"	"	"	"

Charles G. Spahr (The Present Distribution of Wealth) estimates that in 1890:

1	per	cent	owned	51	per	cent	of the	wealth
11	"	"	"	35	"	"	"	"
44	"	"	"	13	"	"	"	"
44	"	"	"	1	"	"	"	"

This is more than two decades ago. Since then the grip on parasitic income has not been relaxed. Plotting these estimates into a curve of "prosperity" with the Carnegie, Morgan and Rockefeller millions at one extreme, and the "financed" privation at the other, we get a diagrammatic view of the economic situation. According to census estimates for 1900, the average wealth per family of 4.7 persons appears to be $5,500. Taking this average wealth as a basis, and locating it on the chart of distribution, (Plate III), we obtain the line AB, from which the relative possessions of men may be compared. If this chart is a fair approximation to the truth, it shows that only about six per cent of the people are on and above the line of average wealth, and that ninety-four per cent of the community are on and below that line. It also shows that only about one per cent of the people are on or above the ten-thousand dollar level of possession. The line AB is at the zone of the forces of economic spoliation, where the parasitic loss and parasitic gain just about offset one another. It is, therefore, the base line from which the parasitic influences may be estimated. A possession of five or six thousand dollars per family will imply some sort of an investment yielding "income" to offset or neutralize the "outgo" from outside influences. If invested in a home, for instance, it would offset the capitalism of land and house rent, leaving open to parasitic attack the running household expenditures, the capitalism of which has already been written off or discounted in the course of production and distribution. It is purely a case of vampirism versus vampirism. No one can escape the parasitic influence. Whether a family living on the line of average wealth can offset the voracity of capitalism from without, by the devouring force of capitalism from within, will depend upon its standard of living. If its standard of living is up to the standard of the average wealth, then the forces will about equalize one another. If it fall below that level, and such family can capitalize its stint into a flow of services, then its parasitic income will overtake its parasitic outgo, and it will be launched upon a career of parasitic affluence. The theory of "parsimony," and "saving capital from the jaws of appetite," has its rise in this counter-parasitism.

Normally, those on the line of average wealth come off about even in the industrial process. They neither gain nor lose; are neither the despoilers nor the despoiled. Those whose fortunes rise above the average wealth line are parasites, and prey upon the industrial efforts of those below, to the extent of their holdings above that line. That is, the more they have, the greater their predatory power and the more they appropriate. Those who fall below the average line of possession become the industrial spoil of those above, to the extent that they fall below that average. In other words, the less they have, the more they are despoiled, and hence the aptness of the parable of the talents: "For unto every one that hath shall be given, and he shall have abundance; but from him that hath not, shall be taken away even that which he hath."

THE INCOME OF PRIVATE FINANCE AND THE OUTGO OF THE UNPROPERTIED PRODUCER

THE census for 1900 estimates the national wealth at $88,500,000,000. Probably two-thirds of these values, or $59,000,000,000, have their interest rates written off and discounted in one way or another along the thousand and one channels of production and distribution, in the shape of rent and interest charges. If this estimate be reasonable, and we average up the voracity of capital at five per cent, the idle income would amount to five per cent on $59,000,000,000, or $2,950,000,000 per year.

The really paramount object of census inquiry should be the industrial potential and productive pace of the nation, from the determinations of which we might accurately establish our per capita income and estimate our economic progress or decline. Unfortunately our census statistics give us no proper clue from which such potential and pace may be established, and we are left to grope in blind conjecture on this, as on other very important subjects. What is the per capita product? Is it equivalent, (in terms of mining), to the production of six troy ounces of gold, or a matter of six hundred dollars per year for an average family of five persons? Mr. Mitchell considers six hundred dollars per year a fair minimum income. It is, however, doubtful if American wages averaged six hundred dollars per family in 1900. If, in the absence of reliable data, we adopt this conjectural average, then our total productive output for 1900 would appear to be about $9,120,000,000, out of which private capitalism claims $2,950,000,000, or over thirty-two per cent. If, however, we adopt as the proper average, our wage-earner's budget of $768.54 per year for a family of 5.31 persons, then the per capita earnings will amount to $144.73, and the national output for 1900 will foot up about $11,000,000,000. Upon these earnings the idle income of capitalism would figure nearly twenty-seven per cent. Let us err rather on the side of conservatism, and estimate the parasitic voracity of capitalism at, say, twenty-five per cent of the total wage-earner's income. We then have a devouring force which perpetually appropriates one-quarter of the productive energies of Labor, and there is no resisting the claim under our present economic arrangements. The worker is thus twenty-five per cent slave, and seventy-five per cent freeman—a quarter of his industrial life is in perpetual forfeit to his capitalist masters.

THE LAW OF MONEY VOLUME AND THE LAW OF SOLVENT FUNCTIONS

Before a money of circulation may be established there must be a sure means of fixing the value of its units. The State must own and control some invaluable right or privilege upon which such a currency may be based and in which all its units may be redeemed and quitclaimed.

All values, in the last analysis, are based in the value of life itself. If the value of life is unlimited, and the right to the environment is indispensable to existence, then the value of the renting privilege will be unlimited.

Collective ownership of land and the power to fix the rent rate gives the community the power to establish the value of the money unit. The land privilege as the most indispensable of all privileges, becomes then a measure by which all other values may be gauged. Whatever may happen, the land-based unit will always represent a definite value in terms of the renting privilege. Once the representative value of the money unit is fixed, whether the money volume be large or small, each unit will have the same value in terms of the renting privilege and will always rent the same average area of ground.

Should the money volume be expanded beyond the capitalized, or competitive value of land, the renting privilege will tend to be cheapened in relation to the derivative values of commerce. Should it fall short of the capitalized value, the derivative values of commerce will tend to be cheapened in relation to the renting privilege. To preserve the parity between the fundamental values of land and the derivative values of commerce, the marginal value of the renting privilege must be maintained at par with the marginal value of the money unit.

What the per capita money volume shall be will depend upon the average private money hoards men accumulate before they are willing to desist from production and retire on a competence. The reserves of competence are a gauge of the average standard of living and this standard is rapidly rising. In 1850 the average wealth in the United States was estimated at $307.69, and in 1900 at $1,164.79. Allowing for the depreciation of the metal basis during that time, the latter estimate, appraised in the money par of 1850, would amount to about $582.40 and show a net increase in fifty years of about ninety per cent, or nearly two per cent per year.

The money reserves of a country do not represent a concrete or achieved wealth in terms of the physical values of industry, but only a potential wealth—a demand for, or a title to productive services. Under righteous conditions such money reserves represent the mutual claims of individuals upon one another for reciprocal services, and the "wealth of nations" consists not only in the physical values of industry, but in these mutual claims upon the collective powers of production. What these claims may be worth in concrete product will depend upon the industrial potential of a people. Under private capitalism we have practically no money hoards. We have "property hoards;" that is, we have not alone the perishable and derivative values of commerce, but we carry as a private asset, the capitalized values of usurped fundamentals.

Allowing for the land values socialized by the land tax (see "Land Values"), the per capita wealth for 1900 may be roughly itemized as follows:

Total land values.................		$624
Buildings and structures..........	$234	
Tractions and other public utilities	56	
Agricultural tools and facilities....	37	
Food resources and other products in process	130	
Household utilities	76	
Commercial values in process of liquidation ("Credits").........	95	
Total physical values.........		$628
Grand total "properties"......		$1252
Total "moneys"		27

We have, therefore, 1252 "property" units and 27 "money" units, and the problem is to maintain the former perpetually solvent in the latter. The sustained legal, clerical, commercial, industrial, and other costs, required for the perpetual maintenance of a ten-thousand-dollar solvency, entail losses and wastes of financial function equal to the labor powers of an average man forever. In other words, the interest on ten thousand dollars will purchase the working powers of a man to the end of time.

Under supersolvent conditions all values but those of land and labor become flat and incomeless. Land is imperishable. It has a present and a future value, and the renting privilege may be extended into the future by long or short term tenures. Hence the marginal value of the renting privilege does not represent the marginal value of land. Providing that the money volume be kept within the limits of the marginal value of land, the par redemption of the currency in the renting privilege will always be practicable up to the full amount of the circulation.

It should be borne in mind, that directly or indirectly, each individual pays his share of rent for every acre of land in use and under cultivation, and that the total per capita share of the land rent represents alone about seventeen per cent of the total expenditure on the budget of the average workingman. The average man pays, not only his share of the total land rent, but he likewise pays for the perpetual upkeep of all the buildings, structures and installations of commerce and industry and their capitalized insolvencies. These costs are lost sight of in the added price he pays for food, clothing, fuel, and other expenses. The "Shelter" item given in the chart of average expenditure shows only about one-half of the actual expense.

The private reserves of competence are increasing at the rate of nearly two per cent per year. When such reserves shall reach their highest development, income and expenditure will about offset one another and there will be, *on the average, no saving.*

The pressure of population on a limited resource makes land scarce and rents high. The greater the pressure the higher the rents. The money volume remaining constant, the per capita circulation is reduced in the same ratio that the rent is advanced, and hence the parity between money and land remains the same. But the renting privilege being now more precious, the marginal importance of land will rise while that of the derivative values of commerce will appear to fall in comparison.

The par between the derivative values of commerce and the renting privilege can be restored only by expanding the rentable area of land so as to compensate for the increased population. Hence to maintain the parity between the fundamental values of land and the derivative values of commerce, the pressure on the common resource must remain a constant.

Not only is the par between money, goods, and land, undergoing a continuous readjustment, but the money volume is self-regulating and self-limiting. Should the average money reserves reach that apparent per capita affluence where the incentives to production would become weakened by leisured competence, wages, rents, and prices, would rise and tend to restore the parity of things by depreciating the money unit, and shrinking the values of the inflated money hoards. Thus the limitations of the money volume depend primarily upon the urgencies of production, and the urgencies of production, in their turn, upon the standard of living and the average money hoards capable of maintaining that standard.

Recapitulating, it may be said, that:

The law of solvent functions is the law of the supersolvency of commercial values and that such a law depends upon the liquefaction of an asset comprehensive enough to hold the values of commerce supersolvent.

The law of "quantity," or per capita volume, is the law of the average money hoard, and the law of the average money hoard is the law of average thrift, standard of living, and industrial potential of a people.

Under private capitalism, the credits, or circulating money-debts, which constitute the "purchasing power" of Private Finance, comprise less than eighteen per cent of the capitalized values of land. Hence it is not unreasonable to suppose, that under supersolvent conditions, the money in actual circulation along the channels of trade will not exceed twenty per cent of that value, leaving an aggregate of some eighty per cent in idle money reserves potentially and actually competing for opportunities of investment, and thus forever forestalling and nullifying all attempts to wring monopoly profits out of commerce and industry. With such a flood of idle competitive reserves, the credit system and its funded and panic-laden insolvencies will appear inconceivable, and Private Finance with its organized voracities, amazing privileges, and dangerous powers, become a reproachful memory. Without cumulative capitalism, parasitic commercialdom with its princely profits and feudal powers will perish, and the Marshall Fields of business, except as salaried managers and small stockholders in popularly subscribed stock enterprises, will become unknown. With a "decapitalized" commerce, the mercantile field of endeavor will offer no better incomes than those of any other speculative avocation—the profits of risk and initiative at the margin of competitive production. Such deplorable conditions as have been partially unearthed by the Stanley and Pujo Committees and by the stock exchange revelations would be impossible under a supersolvency of commercial values.

Private Finance is the parent of all artificial economic disparities, and the grandparent of all private privileges, personal dominions, and irresponsible powers. Mr. Morgan may deny the possibility of a money monopoly, but what is a money monopoly under our subsolvent conditions but a monopoly of credit-means which he and his financial affiliations so completely control? And, furthermore, what is to prevent the Morgans of credit finance from merging all the gold-mining interests of the world into a closed monopoly of the present gold-based money-means?

We are to-day in the grasp of a potential syndicate of solvent functions and nothing but the destruction of Capitalism will break the strangle-hold and deliver us from financial absolutism and industrial dependence.

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