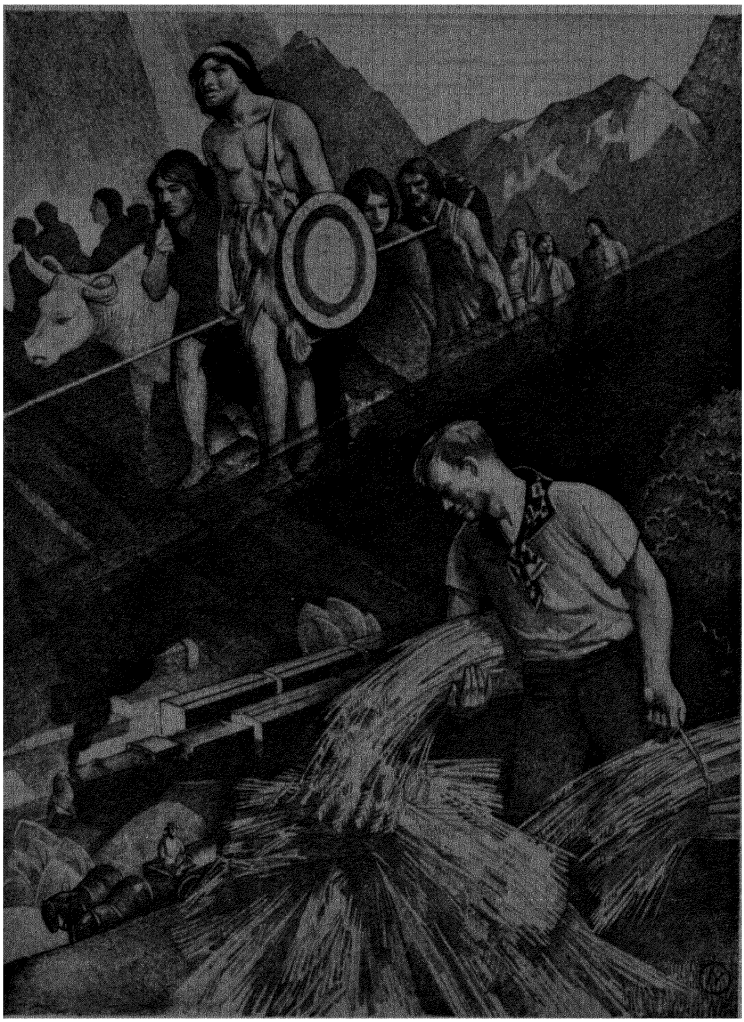
UNIVERSAL
LIBRARY

OU_154722

UNIVERSAL
LIBRARY



"Much of human history is made up of man's effort to escape want by moving himself to newer and less densely populated areas, and later by sending out his tentacles in the form of transportation systems."

THIS ECONOMIC WORLD

AND HOW IT MAY BE IMPROVED

BY THOMAS NIXON CARVER, PH.D., LL.D.
DAVID A. WELLS PROFESSOR OF POLITICAL ECONOMY
HARVARD UNIVERSITY

AND

HUGH W. LESTER, LL.B.
COUNSELOR AT LAW



CHICAGO & NEW YORK
A. W. SHAW COMPANY
LONDON, A. W. SHAW AND COMPANY, LIMITED
1928

COPYRIGHT, 1928, BY A. W. SHAW COMPANY
PRINTED IN THE UNITED STATES OF AMERICA

PREFACE

ECONOMIC progress seems to come in successive stages. At least there seems to be, in each period of progress, some definite problem to be solved or some definite evil to be eliminated. The general problem of poverty has in the past seemed to be perennial. Nevertheless, it has many phases, some of which have already been made to disappear. Each stage of progress has consisted in the solving of some single phase of that great problem.

The next stage in economic progress, the one which lies immediately ahead of us, will be that in which the wages of the mass of manual workers will be raised to a level which will give not only comfort and decency but some degree of culture as well. In more general terms, it will be the stage in which those who follow one occupation will become, on the average, approximately as prosperous as those who follow another. After this is achieved it may be that the next problem will be that of equalizing prosperity among different persons in the same occupation, or of eliminating the individual failures in an occupation which is generally prosperous.

Not many reformers are now interested in this future phase of the poverty problem. In general, they inveigh only against a condition in which the general or average prosperity in a whole occupation or group of occupations is low. Specifically, they object to low wage rates. The fact that one lawyer fails while another succeeds does

not distress them so much as the fact that the average prosperity of a whole occupation is low while that of another is high. The economic problem of the present and the immediate future, therefore, is that of removing occupational poverty. The future must take care of the problem of individual failures in a generally prosperous occupation.

The present book is a contribution to the solution of the problem that is immediately before us. Such a solution must begin with a diagnosis of the actual state of This Economic World. It must end with a program for the removal of the causes of the evil which everyone desires to see cured.

THOMAS NIXON CARVER

CONTENTS

PREFACE iii

I

THE GREAT ESCAPE 3

II

"SOMEHOW GOOD" 70

III

THE PRESENT STATE OF LIBERALISM 110

IV

THE COMPETITIVE SYSTEM 138

V

THE BALANCE BETWEEN LIBERTY AND AUTHORITY . . 168

VI

ECONOMIC EQUALITY 190

VII

EQUALITY BEFORE THE LAW 220

VIII

THE NECESSITOUS MAN AND THE LAW 261

IX

THE PRESENT STATUS OF THE POPULATION PROBLEM . . 280

X

The Supposed Necessity for an Industrial Reserve Army 316

XI

The Inventor and the Investor 352

XII

The Last Fifty Years in the United States 361

XIII

How Long Will This Diffusion of Prosperity Last, and What Will It Do to Us? 391

Index 419

THIS ECONOMIC WORLD

I

THE GREAT ESCAPE

INSTEAD of being the dismal science, economics is the most fascinating subject in the world because it has to do with the greatest of all dramas—that of man's escape from want. It has often been pointed out that the essence of all drama is escape or attempted escape, either from the machinations of a personal villain or from a villainous combination of circumstances called fate. Escape is one of the great thrills we get out of life, and men everywhere stir their racial memories by devising real or imaginary villains or traps for the sheer fun of escaping. The small child asks to be chased and squeals with delight as she escapes; small boys skate over thin ice; grown men hazard their fortunes by gambling—all in order that they may have the thrill of escaping from something. The stories of universal appeal, from Little Red Riding Hood and Jack the Giant Killer up to the highest tragedies, are stories of escape or attempted escape. Even our spiritual struggles are dramatized into stories of escape. *The Pilgrim's Progress,* for example, is the story of Christian's escape from the City of Destruction, though the interest is sustained by a number of minor escapes, beginning with the Wicket Gate, whereon was written "Flee from the wrath to come," and ending with Christian's final escape from the river which he

found deeper or shallower according as his faith grew weaker or stronger.

Whatever the purpose of life may be, physical subsistence is one of the first requisites for the fulfillment of that purpose. Until the problem of subsistence is solved, other purposes must wait. Three things of so large and bulky a nature as to be generally appreciated are absolutely necessary for physical existence: air, water, and food. There are also a number of less bulky things which only a physiologist can explain. Fortunately, there is enough air; therefore the want of air, except in rare instances, has never been considered a problem. There are considerable areas also where there is enough water. Men have elected, for the most part, to live in those areas; consequently the problem of water is not a serious one, though there are places where water has to be artificially supplied, that is, conducted from areas of abundance to areas of scarcity. The problem of physical subsistence, therefore, has generally narrowed itself down to the problem of food, which, in most places where men have elected to live, is so scarce as to create a problem that is serious.

Throughout the greater part of human history the problem of want has been the problem of food. The first great economic struggle of mankind has been the struggle for food. Of course, other wants arise. In fact, it is a general characteristic of the human animal that his wants increase both in number and intensity. As soon as one want is supplied, another rises to the level of consciousness and becomes at once a driving force. Throughout this

discussion I shall use the word "want" instead of "hunger" with the understanding that the most primitive and persistent form of want is the need for food.

The story of human progress, in its earlier stages at least, is a story of man's escape from want. The villain Want, sometimes described as the Wolf of Hunger, has been a most persistent villain and has not been permanently foiled by any single trick. We have extricated ourselves from his clutches by a number of different expedients. To one who sees this major drama as a whole, the story of these successive extrications from the traps of hunger is more fascinating than any minor drama that was ever staged.

However, it is not necessary to make the story too sensational by transforming want into a personal villain. Combinations of circumstances have enmeshed the human race from the beginning, and it is the fight against these circumstances that should really thrill us. No other creature lower than man has ever been able to elude them. With these creatures, therefore, the great drama is tragedy; circumstances are too much for them. They do not escape. The story of man's escape from want is the story of a series of successes in gaining control of these circumstances, of mastering fate instead of being overwhelmed by it.

The first of these circumstances is the fact[1] that the

[1] It may be objected that these facts are mere truisms and therefore of no significance. But truisms are the most significant things in the world to anyone except a sensationalist or a newsmonger. Truisms are at least true, which is more than can be said of most sensational statements. Besides, they are generally of such an elementary nature as to

natural or spontaneous productivity of a given area of land is limited. Only a limited number of blades of grass will grow spontaneously (that is, without cultivation) on any given acre. That being the case, only a limited number of wild animals can live on that wild grass, and, in turn, only a limited number of wild men can live on those wild animals. Or, if men try to live on wild fruits, roots, and other edible products, the same fact faces them: only a limited quantity of these will grow on any area. Consequently, if too many people should try to live in that area, there would not be food enough for them all, and want would overtake them.

Another great fact,[1] of equal importance, is that a "natural" birth rate exceeds a "natural" death rate. For purposes of this discussion I assume the privilege of defining the word "natural" as used in the above proposition. By a "natural" birth rate I mean a birth rate that is uncontrolled by rational or prudential considerations—one that automatically results wherever inherited instincts or impulses are not repressed or counteracted by other motives with which they come in conflict—such a birth rate as we see everywhere, not only in the subhuman but in the human world where rational control or suppression is absent. By a "natural" death rate I mean such a death rate as would exist if every individual died what is sometimes called a "natural" as distinguished from a tragic

be universally recognized. The consequences which follow from some of these elementary facts are sometimes startling enough to satisfy even the sensationalist, if he has the intelligence to understand them.

[1] See the preceding footnote.

death; or if every death resulted from the "natural" process of growth, maturity, old age, and decay, and not from war, accident, disease, or starvation.

A given pair, for example, can die only once each, making a total of two deaths; but if they live out their natural span of life and if they do not repress their instincts, they will produce more than two children. If these, in turn, live out their natural span of life—that is, if they do not die tragic deaths—and if they do not repress their instincts, they will, in turn, produce more than two children per pair, and so on and so on, world without end.

Putting these two great facts together, namely, the limited amount of food that will grow naturally in a given area and the fact that the natural birth rate, as described above, is higher than the natural death rate, we have a picture of the trap in which humanity is always about to be caught. Not only the most interesting but the most important phase of human history is the account of the ways by which men have escaped from this trap. I shall try to bring this story under a series of extrications which serve as the different scenes in the great drama. It is impossible to arrange these in what is necessarily the chronological order because there is so much overlapping. I shall arrange them rather in what seems to be the order of their primitiveness.

Extrication Number 1: Scattering

In view of the fact that only a limited number of men could live on the natural produce of a given area of land,

the first expedient that would suggest itself was that of using more land. By spreading out and utilizing the natural produce of more and more acres, more and more people could live. Even the plants have adopted this device, because they face the same fundamental necessity. Every plant has some means of spreading itself by scattering its seeds. The thistledown carrying its seeds on the wind, the cocoanut, whose seeds can float long distances on salt water, and thousands of other illustrations can be given. Of course, with creatures that possess organs of locomotion, the problem is easy. Much of human history is made up of man's effort to escape from want by spreading out, moving himself to newer and less densely populated areas, and later by sending out his tenacles in the form of transportation systems to bring food from wider and wider areas to his densely populated centers.[1]

This method of escape, however, is not a final solution. Thousands of years ago the entire earth had become populated. There has been no time within recorded history when there was any unoccupied portion of the earth to which men could migrate. All the migrations of which we have any historical record have resulted in the dispossession or partial dispossession of one group of people

[1] The great pigeon roosts which once existed in our great interior valley were made possible by the fact that the wild pigeons were powerful fliers and could transport themselves to distant feeding grounds and back to their roosts every day, thus foraging over a wide area. Our great cities might be regarded as inverted pigeon roosts, made possible by our transportation systems which, instead of carrying the people to the sources of food, transport the food to the people. In this case as well as in that of the pigeon roost, the dense population forages over vast areas.

by another. The American continent, for example, was not unoccupied when Europeans began coming. We may say that it was inefficiently occupied, in the sense that it took a great deal of land to support one person by the method of hunting and fishing, as carried on by the Indians. The same area could support a hundred men under the European system of using land. But since things eventually tend to even up in this respect, that is, since differences in the methods of utilizing land tend to narrow down, it will become apparent that the method of migration is no final solution of the problem. It merely means wars of conquest, or else the peaceful displacement of one race by another.

Something of the same sort results when tentacles are sent out into distant regions in the form of transportation and mercantile systems. Commercial rivalries develop, and instead of colonization and wars of territorial conquest we have either wars or peaceful struggles for markets and spheres of commercial influence; the nation that loses must then manage to live on the produce of a smaller area of land.

Extrication Number 2: Work

Not only is it possible to get more food by spreading over more land so long as there is more land to be had; it is also possible to increase the amount of food that will grow on an acre or any given area of land. This means work, or cultivation. This necessity is the subject of one of the earliest of all literary dramas. From an imaginary

garden in which there was no overpopulation and therefore no want, men were not only cast out and forced to wander as soon as numbers increased; they were forced to go to work. In the sweat of their brows they had to eat their bread. Most of our moral and judicial problems also grew out of this situation.[1] Want creates rivalry. Where there is not so much of anything as people want, their interests come into conflict, and if they think at all they begin to think about such things as justice, equity, fair play, and a sharing of the thing which is scarce.

Cultivation means essentially three things: first, destroying useless plants, commonly called weeds, in order to give more room for the useful plants, that is, the plants useful to man; second, preparing a better seed bed for these useful plants in order that they may grow more vigorously; third, selecting and planting seed in order to improve the quality or the usefulness of these plants. This is the essence of all sound agriculture in so far as it

[1] Cf. T. N. Carver, *Essays in Social Justice* (Cambridge: The Harvard University Press, 1915), ch. i. The same idea is remarkably well expressed by Roscoe Pound in the following language:

"From an earthly standpoint, the central tragedy of existence is that there are not enough of the material goods of existence, as it were, to go around; that while individual claims and wants and desires are infinite, the material means of satisfying them are finite; that while, in common phrase, we all want the earth, there are many of us but there is only one earth. Thus we may think of the task of the legal order as one of precluding friction and eliminating waste; as one of conserving the goods of existence in order to make them go as far as possible, and of precluding friction and eliminating waste in the human use and enjoyment of them, so that where each may not have all that he claims, he may at least have all that is possible. Put in this way, we are seeking to secure as much of human claims and desires—that is, as much of the whole scheme of interests—as possible, with the least sacrifice of such interests."

From Roscoe Pound, *Spirit of the Common Law* (Boston: Marshall Jones and Company, 1921), p. 196.

relates to the basic form of agriculture, namely, plant husbandry.

But even this is not a complete escape, because even though by killing weeds you can make it possible for larger numbers of useful plants to grow, and by furnishing them a better seed bed you can increase their growth and density, and by the selection of seed you can increase their utility and life-sustaining power, nevertheless in any state of knowledge there is a limit to this. It is doubtful if there is an authentic case of a hundred bushels of wheat being grown on an acre. Several hundred bushels of Indian corn to the acre have been grown, but no one has yet grown anything like five hundred bushels, even on an experiment plot with all the aids that the present state of science will furnish. The necessary result of this is that, if numbers keep on increasing, it is only a question of time when the limit will be reached at which as many people will be deriving their subsistence from a given area of land as that land will support.

The situation is somewhat obscured, of course, by the fact that historically both the first and the second of these extrications were in progress at the same time. Densely populated areas seem to be self-supporting, whereas, as a matter of fact, they are deriving their subsistence from other areas by means of their transportation systems. It is doubtful if a country like England could live from the produce of its own soil; certainly it could not live so easily and well as it now does when it is able to bring food from the ends of the earth. Even if the whole of England could derive all its food from its own soil, it is quite

certain that the city of London, in the present state of science, could not live on the produce of the soil comprised within its limits. But in proportion as it gets its food from other areas, it reduces the number of people who can live in those areas on their own native products. In other words, these great centers of dense population require that there shall be other areas of sparse population to produce a surplus of food for export to the densely populated centers.

Even before the absolute limit of food production on a given area is reached, there is a gradual weakening of Nature's response to man's efforts to increase that production. On the same piece of soil and under the same conditions of climate it takes more than twice as much work to produce thirty bushels of wheat on an acre as it takes to produce fifteen, much more than twice as much work to produce sixty bushels as thirty, and it is doubtful if any amount of work could force any acre, to say nothing of the average acre, to yield one hundred and twenty bushels. This is sometimes called the law of diminishing returns. That is, the limit of the productivity of an acre of land is not arrived at suddenly. You cannot go on increasing the yield in exact proportion as you increase the labor employed in cultivation until you reach the absolute limit and then suddenly find that no further increase is possible. The land begins to show signs of approaching its limit long before the limit is finally reached.

Migration and labor are not only the most primitive of the methods of extricating ourselves from the circumstances that bring want; they might, in a special sense, be

said to include all the others except birth control. However, some of the others are so important in themselves as to deserve separate mention.

Extrication Number 3: Organization

Organization is only a special way of working, as commerce is a special way of spreading. Nevertheless, by adopting this special method of working, one of the greatest of all extrications has been effected. Organization means teamwork. Men early discover the advantage of teamwork, associated effort, and specialization. So important is this factor of teamwork that it is the subject of many special lines of study. It is at this point that sociology, for example, and all the social sciences branch off from economics. Sociology is essentially a study of human teamwork—a vast subject in itself with many ramifications. No attempt will here be made to discuss this vast subject in detail. A few main points, however, should be mentioned.

One requisite for effective teamwork is a code of signals, commonly called a language. A very simple code serves the purpose of the lower creatures, whose teamwork is of a very simple kind. Among certain insects there are, for example, workers and fighters, but among the workers there is very little organization or specialization. One worker does about what every other worker does. In human society the workers are most intricately organized. Similarly, among the fighters of certain ant colonies there is very little organization, and such as there

is is not in any way to be compared with an organization of human fighters. The survival value of teamwork carries with it many other survival values, such as that of organs of speech, of the reshaping of the skull, the jaws, and the lips in order to make an elaborate code of signals possible. Since we are well organized, there is no longer any advantage in having eyes on each side of the head so as to see in all directions. The different members of the team can each watch in a different direction. Having both eyes in front so that they can be focused gives each person some increased power of scrutiny and concentration, and this in turn facilitates specialization.

Through organization and specialization both migration and work can be carried on much more successfully than without organization. The unorganized and unorganizable members of the human race have long ago vanished before the superior competing power of the organizable. Righteousness comes more and more to mean mere organizability, or the ability to fit into a great organization. This kind of righteousness therefore possesses survival value and tends inevitably to cover the earth as the waters cover the bottom of the great deep. It has the power to become universal, not so much because it conforms to our own ideals as because it has more survival value than its opposite.

Extrication Number 4: Protecting Production against Predation

One of the most important products of organization is that of standardization of individual conduct. This is so

important that it deserves to be mentioned as one of the great extrications in our drama. In the same sense that other creatures are sometimes called predatory, man is himself a predatory animal. That is, he will not scruple to prey upon others, especially when driven by necessity or as a means of eluding want. Effective teamwork requires that, among members of the team at least, predation shall cease. The team that permits some of its members to live at the expense of others cannot be a very successful team. One great line of policy must therefore be adopted by every great society or every society that hopes to become great. It must protect production against predation. All legal systems or governmental policies that are worth keeping must aim at this as their central purpose.

If notice can be served upon each individual that he will be permitted to gain the full benefit of his own productive activity and shall not be dispossessed by men of violence or fraud, effective teamwork in the solution of the problem of want becomes possible. In so far as this rule is made effective, every individual who wants a living must produce it by some sort of useful action. No energy is then wasted, either in predatory effort or in protecting one's self against the predation of others. Everybody is encouraged to be doing the most useful and productive things. Where that happens, the largest possible number of useful things will be produced, and there will be the least danger of want.

There are some forms of predation, or something that looks very much like it, which may promote production in

others and which therefore, paradoxical as it may seem, may be said to be productive. Even if we exclude from consideration the benevolent despot whose benevolence may be said to cleanse his despotism from the taint of predation, there is still to be considered the grasping tyrant, or even the enterprising bandit, who sees that the most profitable kind of banditry is to build up a prosperous community in order that there may be better picking for himself. To begin with, he must eliminate the competition of other predacious persons and thus achieve a monopoly of predation. By exterminating all other bandits, as well as common thieves, swindlers, and drunkards, and giving all his victims an assurance that they shall not be molested, either by his agents or by his rivals, so long as they pay a reasonable tribute to him, he may encourage industry, sobriety, and thrift to such an extent as enormously to increase his own income. A wise and enterprising bandit would have at least as much reason for taking good care of his human live stock as any animal husbandman has for looking after interest of his flocks and herds. "Poor people, poor king."

While such a bandit would be, in the strictest sense, a predator, yet if he succeeded in eliminating all competition, there might be much less preying in the aggregate and therefore more encouragement to production than if he did not exercise his predatory powers.

Again, even if the predacious despot has no such statesmanlike qualities but is merely interested in extracting what he can from his neighbors, there may sometimes be a residue of good from his predation. If he lords it over

a considerable population in a rich river valley, and if the people around him use up whatever prosperity comes to them by rapid multiplication of numbers, they will, if left to themselves, multiply up to the limits of physical subsistence. Such people would live not much above the level of beasts. Even if some few peaceful individuals showed a disposition to live a little better, the ravenous mass around them would not let them do so. In such a situation as that, nothing but superior fighting power could guard a surplus from the covetousness of the reckless breeders and gluttonous consumers. A great despot might not only protect his own surplus; he might even force the rest to produce more than they consumed by the direct method of compelling them to give him a part of what they produced. They would then have to live on the fraction that was left to them. If they could not, nature would thin them out until they could. The smaller number would live as well after being robbed as the larger number could if they were not robbed. Freedom from despotism would merely mean larger numbers, not a higher standard of living. Meanwhile the despot would have a surplus which he could devote, if he were so disposed, to something besides keeping alive. Much of the splendor of all ancient civilizations is to be accounted for in this way. Sometimes, however, it was a despotic class, as in Athens, or more notably in Sparta, instead of a despotic person, that did the preying upon the common mass of humanity.

The closest present-day parallel to the old-time predator is the politician who entrenches himself behind a political

organization and sells protection to producers against all smaller predators—accepting the highest bid. If he is sufficiently farsighted and statesmanlike, he will, of course, suppress competition in predation and sell protection to genuine producers. The latter may find it cheaper to pay tribute in return for such protection than to rely wholly upon the less efficient services of tax-supported magistrates and administrators.

If the grafting politician is shortsighted and unstatesmanlike, he is likely to sell protection to smaller predators. This is a shortsighted policy because it tends to destroy the ultimate source of income, which is production. The lesser predators must, of course, get their incomes from producers. They can no more live by preying upon one another than the inhabitants of that famous island could make a living by taking in one another's washing. But the more these lesser predators increase in numbers, the more they discourage production and thus cut off the source of income of all predators. The truly wise predator, therefore, will, as Macchiavelli long ago pointed out, suppress competition and sell his own protection against all lesser predators to genuine producers, to the end that production may increase and the source of his income be enlarged.

However, even though something might be accomplished by an enlightened despotism, whether benevolent or unbenevolent, or whether ancient and militant or modern and political, it is certain that more can be accomplished where all predation is repressed than where its net quantity is merely decreased by the monopolizing of

predation by an individual or class. Besides, escape from want by way of predation can never, by any possibility, be more than the escape of a few at the expense of the many. The other ways of escape, especially if they are accompanied by a complete suppression of all predation, make it possible for all to escape from want.

Failure to see the difference between getting rich by predacious methods and getting rich by productive methods is at the bottom of much of the radical and loose thinking of the day. The one who gets rich by production makes others rich in proportion as he gets rich. The richer he gets, the richer he makes others, and the more rich men in a country who get rich by production, the richer everybody else in the country becomes. Precisely the opposite is true of predation. The richer one becomes, and the more there are who get rich by predation, the poorer everyone else becomes.

The fundamental Marxian mistake was the belief that capital was always essentially predatory and never productive, that the capitalist, therefore, always got his income by robbing some one else through the agency of his capital. If that were true, all that Marx said about the tendency of capital to concentrate in a few hands and of non-capitalists to become poorer and poorer until they could become no poorer, would have been a logical conclusion. It would then be only a question of time when the masses would overthrow the whole system. But because that first assumption as to the essentially predatory nature of capital was not true, all his conclusions turned out to be diametrically wrong.

A parallel mistake is made by those who inveigh against competition. It is, of course, true that competition among predators is destructive, not only to those upon whom they prey, but to the business of predation itself. This kind of competition tends to dry up the source of income of all predators, that is, it tends to discourage production. Competition among producers, however, is a different thing. The more competitors there are, and the more intensely they compete in the real work of production, the larger the total source of income—that is, the larger the sum total of production. As President Hadley has put it, the more wolves there are looking for lambs, the worse it is for the lambs; but the more employers there are looking for laborers, the better it is for the laborers.

Some justification for the confusion of mind among those who object to all competition is found in the fact that we have not yet succeeded in clearly differentiating between productive and predatory methods of doing business. Many a business enterprise which, at bottom, is genuinely productive has pursued certain predatory policies. Whenever any producer tries to beat his rivals, not by producing a better product, or as good a product at a lower expenditure of human energy, but by doing some physical injury to his rival's person or property, by stealing his patents or bribing his workmen, by false statements in salesmanship and advertising, and a multitude of other similar devices, he is engaging in predacious practices. They who focus attention upon these unnecessary features of our competitive system and forget the basic fact of productivity very naturally arrive at pessimistic

conclusions respecting competition. This topic will be discussed in greater detail in Chapter IV, "The Competitive System."

Through the suppression of predation and the establishment, roughly, of the general rule that economic rewards shall be proportionate to production, the foundation is laid for an economic system under which all, and not a few only, may escape want. Predation makes that impossible.

Extrication Number 5: Invention

Invention, like organization, is another kind of labor, but a highly specialized kind, and it has been one of the most successful in the evasion of want. The study of invention is a vast field which becomes almost identical with the study of modern industrial history. There are many stages in the progress of invention. Perhaps the most important is that of tapping new sources of power by means of which greater things can be accomplished than could be accomplished with that limited amount of power generated in the human body and delivered through the muscles.

In the last analysis, all work consists in moving pieces of matter—from the work of the writer who merely transfers ink from one place to another to that of an irrigation engineer, who, by moving clods and stones, is enabled indirectly to move millions of tons of water from one place to another. That is about all that men do in a physical sense. That is all that a moving picture machine would

ever reveal men doing. All that the eye, as a physical instrument, sees them doing is moving pieces of matter. It is only by reading into their motions the idea of purpose or plan that we ever think we see them doing anything else. Matter is moved by power—mechanical power or foot pounds of pressure. We sometimes say figuratively that the mind of man moves objects or that faith can move mountains, but nothing is ever moved, from a grain of sand to a mountain, except through mechanical power.

Indirectly and figuratively, of course, the mind helps to move these objects by mechanical devices. It is the pressure of the short end of the lever under the stone that moves it, and it is the pressure exercised by the fulcrum and by human muscles pressing on the long end of the lever that moves the short end. And, of course, it was an ingenious mind that thought of using the lever. It is the pressure of steam on the piston that moves it, thus causing various other objects to move. Ultimately, the assembling of the different parts of the steam engine went back to human muscles, and it was the mind that thought of the way and directed the muscles.

When, therefore, new sources of power were harnessed and made to do this work of moving objects, men won a great advantage in their struggle against want. In the order of time, probably animal power was the earliest. Next may have been wind power, by which boats were moved. Gunpowder came fairly early. Perhaps the greatest of all sources of power was steam, the means by which the energy in the coal beds could be transformed into mechanical power. An important rival of steam is

water power, particularly in its modern transformation into electrical energy. The internal combustion engine, which converts the energy of gasoline into mechanical power, is also a close rival of the steam engine.

But with all our mechanical devices we have not yet greatly increased the power of an acre of land to produce food. They have enabled us to bring food from wider and wider areas, and they have enabled the mechanically gifted nations to bring raw materials from the distant parts of the earth and work them over cheaply in factories driven by mechanical power, and sell them back again to the denizens of those sparsely populated areas at a good profit, so that vast indoor populations are enabled to live on the profits of the transaction. But in agriculture, most of our mechanical devices thus far have merely had the effect of enabling one man to cultivate more acres. This has facilitated the first great extrication, namely, migration or colonization—spreading out over more and more land. Only a little has been done as yet in the direction of enabling more people to live on the produce of a given area. Deep-tilling machines have done a little in this direction, but the principal increases in the food producing capacity of an acre of land have been the result of the discovery of new and heavy yielding crops, such as Indian corn and the potato, and of chemical fertilizers. Except for these two factors, very little has been done in the last two thousand years to increase the food producing capacity of a given area.

Obviously, intensive development of food sources through invention of mechanical aids is no final evasion

of want. If population continues to increase, food must still be drawn from wider and wider areas, and there is a limit to that. It is clearly no answer to this question to say that it will be a long time before that limit is encountered. It is only refusing to take a long look to reply that the great Amazon Valley and other considerable areas have great potential productivity; I agree to all that. The time is a long way in the future when our inventiveness will finally fail us in our efforts to expand territorially and get our subsistence from wider and wider areas. However, we shall meet with several more immediate difficulties than that of final overpopulation. Those wider areas to which we turn are all occupied, as the North American continent was before the Europeans came. We must either dispossess the natives or persuade them to turn to a new method of utilizing their land. If they prefer not to be converted to a settled life of agriculture, we shall be faced with the alternative of getting along without those new areas, or of using some sort of coercion upon those recalcitrant inhabitants. But even assuming that we shall be unscrupulous enough to force those wide areas into a more intensive form of cultivation, we have made but a temporary extrication. We have foiled the villain for a time, but, as in all good melodramas, the villain still pursues.

Extrication Number 6: Responsible Parenthood

Long before any final occupation of the entire globe can take place, certain areas may already tend toward

overpopulation. Migration is not always possible. Even where it is, it may be attended with some inconveniences, such as expatriation, the hardships of pioneering life, and especially the moral aversion to the extermination of the natives of the new territory to which migration is proposed. Even commercial expansion is attended with difficulties, especially if there are rivals ahead of us who are also cashing in on their mechanical ingenuity by exchanging the finished products of indoor industries for the raw materials of wide spaces.

If we take the extreme case of a nationality that cannot migrate or expand commercially, it is a foregone conclusion that the time must arrive, in many cases has already arrived, when population must become stationary. A stationary population is possible only where the birth rate and the death rate balance. If there is a high birth rate, there must be a high death rate to balance it, otherwise population still increases, and if there is to be a low death rate there must also be a low birth rate to balance it. Any positive control of the situation or any real extrication from the circumstances that bring want where expansion is not possible necessarily involves some stabilizing of population.

Among the lower creatures there is no institution, custom, habit, or anything else to control the birth rate; the birth rate is a physiological function as with plants; therefore the death rate rises to balance the birth rate, and most individuals die a tragic death in the animal as well as in the plant world. In the earlier states of human development the same was true. The birth rate was unchecked,

so that if a tribe could not spread over more territory, the death rate had to rise to balance the birth rate. If the death rate did not rise because of one thing, it would rise because of another. In the last analysis, in the absence of all other causes of a high death rate, the sheer lack of food brought it about—in other words, starvation.[1] That, of course, meant that want had not been evaded; it was ever present.

To unthinking creatures there can be no fear of death because there is no power of anticipation, but where there is some power of anticipation there is also the power to think in terms of consequences. If the conditions of living are so hard as to produce a stationary population by the rise of the death rate to balance the birth rate, another possible extrication is that of reducing the birth rate to balance a "natural" as distinguished from a tragic death rate, but this is a very difficult problem. Abortion and infanticide are, after all, only other aspects of a high death rate, and contraceptive devices were not known. A partial solution of the problem, however, is found in what we have called parental responsibility. If parents who are responsible for the existence of children are made also responsible for their support, at least a temporary advantage is gained, even if it is not a complete and final escape. A system of parental responsibility differentiates between those who are capable of meeting the new responsibility

[1] This phase of Malthusianism, while a truism, is at least true, and by no means lacking in significance. A good part of our institutional and moral development consists in ways of avoiding this situation.

This problem of population pressure is considered at length in Chapter IX.

and those who are not. Those who meet the responsibility wisely will not have more children than they can provide for; those who do not, will go on at the old rate of multiplication. For the latter, this is no solution of the problem. For the former, it is a partial solution.

It is obvious that parental responsibility, especially on the part of the male parents, could not exist or be enforced under promiscuity and that it could not endure unless encouraged by some provision which should put the means of family support within the control of the family group. Some form of marriage was necessary whereby the male parent could be identified, and also some forms of family control or ownership of family property as distinguished from communal property.

MARRIAGE

In the effort to bring about responsible parenthood we find the *raison d'être* of all matrimonial institutions.

This does not imply that they were all consciously invented for this purpose. The sporadic tendencies of human behavior are almost infinite in their variety. But any type of matrimonial institution that even to a slight degree created responsible parenthood had survival value. Promiscuity then became impossible because those tribes in which matrimonial institutions gave some degree of responsibility had a better chance of surviving than the tribes that still practiced promiscuity, which negatives parental responsibility. If for no better reason, promiscuity must have disappeared because the tribes that practiced it were exterminated by the tribes that outgrew it.

The inherited tendency to scatter seed promiscuously, as do the plants and animals, is so persistent as to make the suppression of promiscuity one of the most difficult of all problems of social control. At the same time, the necessity that promiscuity in all its forms should be suppressed if the tribe is to escape starvation is so overwhelming as to make this form of social control one of the most important in the whole field. These two facts taken together explain why, in all those countries that have managed to escape want, the most drastic forms of social control are directed against promiscuity or toward the enforcement of parental responsibility. Both rape and seduction are methods by which the male may escape responsibility for offspring,[1] and both are rigidly punished, and must be punished if parental responsibility is ever to be enforced and wholesale want avoided.

Even where marriage prevails, a great variety of

[1] It is interesting to note in this connection that in the whole field of bisexual procreation the three predominant methods by which the male succeeds in impregnating the female are, first, by means of organs of prehension, second, by means of organs of fascination, and third, by means of economic support. In our form of civilization the first is called rape and severely punished, though it has been sanctioned in other civilizations. The second is called seduction and is also legally punished, though sometimes defended by those whose powers of fascination are greater than their powers of providing economic support. Fascination may take the form of displaying brilliant colors, of sitting on a branch and warbling, or of dancing, strutting, and doing stunts. Among human beings however, it is more likely to take the form of such visible marks of sex as beards and shaggy hair, poetic rhapsodizing, and ardent lovemaking in its various forms. The third method takes the very practical form of such a formula as "with all my worldly goods I thee endow," which is the most direct and practical method of endowing motherhood that has yet been invented. However, it works only among those males who understand what it means and who take their promise seriously. Among others it is a mockery and destroys whatever sanctity can properly belong to marriage.

family institutions are described for us by the anthropologists. When we once understand their function, however, we need not be confused by their multiplicity. Certain types perform the essential function of creating parental responsibility better than others. Among all those that have existed, the type which creates as the legal family unit what may be called the biological family is most effective. That is, the family consisting of a single pair and their offspring focuses responsibility on the biological parents more definitely than any other type of family.[1] Any larger family or clan organization is relatively less effective because the larger group relieves the biological parents of a certain part of the responsibility of caring for their own offspring. It is no accident that the escape from want has been more successful in those parts of the world where the biological family is also the legal family than in any other parts. Even in these parts of the world, however, there are still remnants of older ideas of kinship and of family claims that go far beyond the biological family. This is especially true of matters of property.

FAMILY PROPERTY

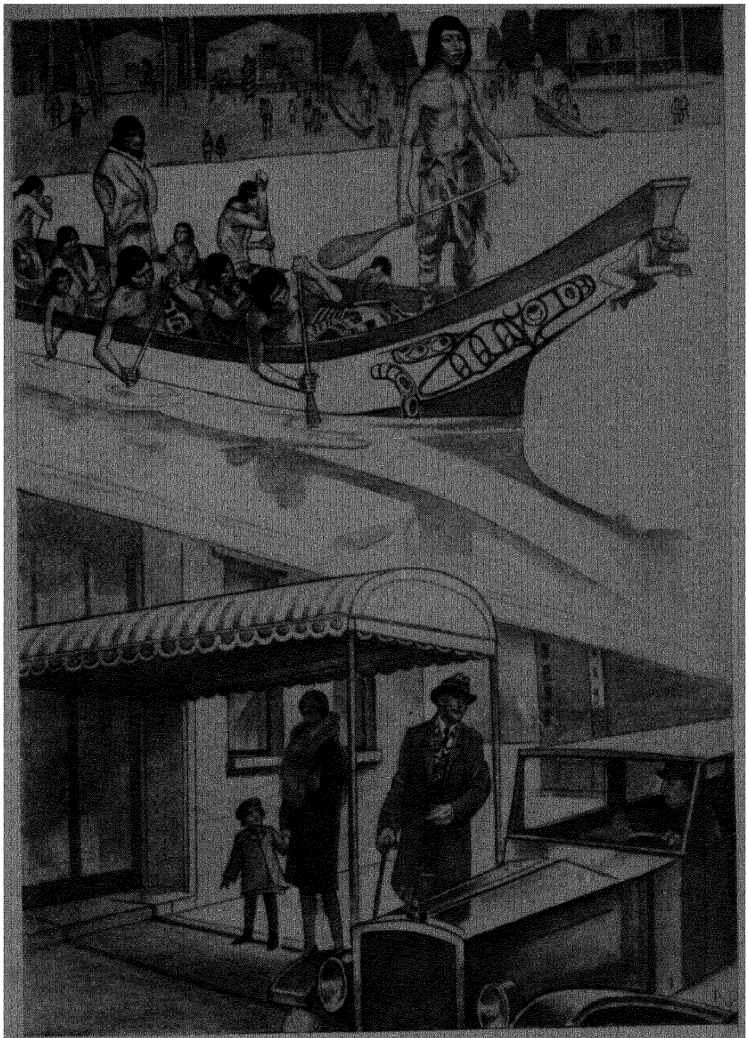
Even when the biological family is definitely established as the legal and social unit, the escape from want is only partial and temporary. So long as all families feed out of

[1] Of course, both polygamy and polyandry may focus responsibility for the support of children upon the procreant alone, where no clan or larger group relieves them. In the case of polygamy, the economic support of the male parent is divided, and the machinations of rival mothers sometimes leave some of the children without support. As to polyandry, the doubt as to the identity of the male parent tends to relieve all males of a definite feeling of responsibility.

the same trough, are supplied by the same commissariat, or are permitted to get their living from a common area of land, the problem is not solved. The irresponsible and the responsible fare alike. They who feel a sense of parental responsibility and limit their offspring are unable to provide for their offspring any better than the offspring of irresponsible parents are provided for. The entire subsistence of the tribe is at the mercy, as President Hadley has pointed out, of the most reckless multipliers and the most gluttonous consumers. But where what was formerly communal property on a large scale is made communal property on a small scale, that is, where the land instead of being the communal property of a large group becomes the communal property of that small group called the biological family, especially if the family be monogamic, then parental responsibility, where it exists, can be effective. The pair that exercises responsibility and limits its offspring can give them some of the advantages of that forethought. Without family property this would be impossible. Their offspring would fare no better than the offspring of those pairs that felt no responsibility. But when the change was made, and property belonged not to some large communal group but to the small communal group based on biological parenthood, parental responsibility became definitely focused.

PROTECTION OF PROPERTY

It is not sufficient for responsible parenthood that the family group shall have within its control the means of its own subsistence. It is also necessary that the family have



"Where land and other goods, instead of being the communal property of a large group become the communal property of that small group, the biological family, then parental responsibility can be effective."

some means of safeguarding its means of subsistence. Otherwise the same fate would overtake the family group that would overtake the tribal or national group which should fail to safeguard its territory and thus be brought to sharing it with the rapid breeders and lavish consumers of the rest of the world. The principle involved is the same whether applied to national territory or to family property. The right (real or assumed) of one nation to control its territory to the exclusion of others and the right of one family to control a bit of land or other property to the exclusion of others rest on precisely the same basis of economic necessity. In both cases, it is a means of safeguarding subsistence.

This will become clear to anyone who will seriously consider the dilemma of a hunting tribe faced with the problem of safeguarding the source of its food supply. In a given area, the amount of game is limited. When the population of the tribe increases sufficiently, game in its hunting grounds must become scarce. If it would avoid such a high death rate as to balance its birth rate, it must extend its hunting grounds (in which case it will cause the starvation of some other tribe), or it must control its birth rate. But even if it does succeed in controlling its birth rate and keeping its numbers within such limits as will avoid hunger, this will be futile unless it can protect its hunting grounds against other tribes. If other tribes do not control their birth rates, they will, of mathematical necessity, need more subsistence than their own hunting grounds can supply. Unless they are willing to endure hunger and a high death rate, they are pretty certain to

covet the abundant food to be found in the domain of the tribe that has kept its numbers down. If that tribe does not defend its hunting grounds, all its rational efforts to solve the poverty problem will be in vain.

Nor is the predicament less severe if, instead of controlling its birth rate, the tribe secures an abundance of food by increasing the productivity of its land through cultivation. The fact that an abundance is to be found within its borders is certain to excite the covetousness of improvident tribes on the outside who are in want. The provident tribe must manage to keep them out, or at least control the conditions of their admission. If it does neither, it will find itself robbed of the advantage of its own industry and providence.

Responsible parenthood as a means of extrication from the ever pressing perils of want involves the same necessity of self-protection. Marriage and the biological family unit, together with family property that rewards and encourages family forethought, make responsible parenthood effective only to the extent that their beneficial results are protected against the envious assaults of the irresponsible and wasteful. How to protect the ant against the grasshopper is one of the oldest problems in history. But it is quite as clearly necessary that the ant-like individual within the nation shall be able to protect himself against being eaten out of house and home by improvident consumers or irresponsible breeders among his neighbors as it is that a nation which shows some of the qualities of the ant shall protect itself against nations which show the improvident qualities of the grasshopper.

Of course, the habit of responsible parenthood on the part of a few cannot solve the problem of poverty for the rest of the world. Institutions of marriage, which suppress promiscuity, and of property, which free the responsible from the necessity of sharing with the irresponsible, as well as institutions for the protection of property, solve the problem of poverty only for those who make use of the opportunities created by these institutions. To begin with, the nation that adopts these institutions and whose population conforms to them will itself prosper, but its prosperity will do little for nations that practice either promiscuity or communism, or even for those nations whose family systems only partially enforce parental responsibility.

One runs the risk of being accused of harboring an inherited prejudice when he suggests that the family consisting of a single pair and their offspring creates a more definite form of parental responsibility than any other form. Yet such a conclusion is forced upon anyone who will analyze the problem carefully. To begin with, the breeding pair alone is responsible for the existence of children. If that pair is also made, by the legal institutions of the time and place, definitely responsible for the economic support of the children, the two forms of responsibility are definitely correlated. To make any larger group responsible for the care of children for whose existence the breeding pair is alone responsible does not definitely correlate the two kinds of responsibility. Even the patriarchal family fails in this particular. If, for example, some patriarchal group larger than the single pairs

and their offspring is forced by the customs of the time to assume the responsibility for the care of all who are born of the several pairs included in the group, any improvident pair may multiply at will and rely upon the larger group to support its children. Even the provident pairs cannot gain the full benefit of their own providence. It is believed by many close students that the family system of China, which in some respects resembles the patriarchal type, is responsible for the terrific overcrowding of that country.[1]

Those tribes which practice promiscuity can have no such thing as responsible parenthood and, unless they adopt contraception, abortion, or infanticide, can have no means of controlling the birth rate. The death rate must then rise to balance the birth rate or this nation must overrun the world. The nation that practices communism gives its provident no advantage over its improvident individuals. The children of the most reckless spawner share equally with those of the most careful family builder. They to whom reproduction is a biological process fare equally well with those to whom it is a rational and a spiritual process. Under such a system there is no effective control of population short of those frankly ac-

[1] Overcrowding is a relative term. It merely means the existence of more people than can be comfortably supported by the industrial system of the time and place. In this relative sense, some of the most sparsely populated regions are the most overcrowded. People who try to live by hunting and fishing are likely to have a hard time finding enough food even when there is only one person to the square mile. They have not solved the problem of correlating the supply of food with the demand for it. Other people may live comfortably in more densely populated areas because they solve that problem in a more satisfactory way by a combination of industry and parental responsibility.

cepted by Plato,[1] who was too wise not to see and too honest not to face the facts. If there is no effective control of population, the alternative is to spread over more territory or to allow the death rate to rise to balance the birth rate.

Under the two institutions of the monogamic family and family property, those small groups within the nation called families have a chance to keep their numbers within the limits of a comfortable subsistence, whatever the rest of the world does. Under these conditions, a differentiation in the well-being of the different families of the nation became not only possible but practically certain. Those who met the new conditions definitely escaped from poverty. They were then free to turn their attention to other things than the everlasting quest for food. Others of the tribe, it is true, were still pursued by the villain want. Only the wise, the skillful, and the provident had made their escape. The extrication of the others remains to be effected.

From the point of view of the whole tribe or nation, therefore, this extrication of the few is a partial escape. It is better than nothing, but it leaves unsolved the problem of want on the part of many. The next problem is to extend this form of economic salvation to everybody. It is well, however, to bear in mind that there is no going back in the process. To give up parental responsibility by any sort of promiscuity would not free those who were now in want; it would only reduce to the level of want

[1] Cf. *The Republic* (Jowett's translation; New York and London, 1892), Book V, Sec. 460-461, pp. 154-155.

those who had been lifted above it. To attempt to equalize prosperity by turning from the communism of the biological family to the communism of a larger group would likewise fail. Merely to enable those who multiply irresponsibly to feed out of the same trough or to supply themselves out of the same commissariat as those who multiply responsibly would, in the end, throw the whole population back again into the clutches of want. All attempts to supply the needs of the irresponsible out of a common fund must be regarded as temporary expedients and not in any way a solution of the problem. This does not imply that temporary expedients are not necessary. They are, I suppose, in medicine; certainly they are in sociology. But no one is satisfied with a temporary expedient. What we want is a permanent cure. That will not be found until all are put in the position of those who now feel the requisite responsibility and exercise due foresight and providence.

Humanity is not organized and cannot carry out any universal social policy. Therefore it is not possible to do a great deal, outside the field of education, for those fractions of humanity whose national and tribal organizations fail to solve the problem of poverty for them. National and tribal organizations do not solve the problem of poverty unless they stimulate production sufficiently on the one hand, and enforce parental responsibility sufficiently on the other, to preserve a favorable balance between population and production. A favorable balance between population on the one hand and production on the other is a condition in which production is able to supply more

than the necessaries of life to the existing population.

For the present, it looks as if each self-determined fraction of humanity must be left to work out its own economic salvation with such help as it can get in the way of friendly advice and example from other fractions. Certainly we could not force upon them such institutions and habits of life as would automatically solve the problem of poverty for them. In other words, it looks as if, for the present, nationalism is the agency, and trial and error the method, by which the problem is to be solved for such fractions of humanity as happen either by accident or through superior intelligence to hit upon the right methods. Those fractions of humanity which have achieved a partial solution of the problem must proceed to a more and more complete solution of their own problem. But, of course, the principles of economics are universal in their application.[1] No nation can monopolize them or prevent any other nation from applying them to the solution of its own problems. The civilized nations of today have all achieved a partial solution in that they have adopted institutions and customs which have enabled a part of their populations to lift themselves above want. They are enabled to keep themselves above want provided they keep their numbers within and their incomes outside such limits as leave them a surplus above the basic necessaries

[1] This is one of the most banal of all truisms, but it does not mean, as some have contended (cf. Alvin S. Johnson in the *New Republic* for November 11, 1925), that one nation cannot advance beyond others in the application of these principles. The principles of chemistry are likewise universal, but that has not prevented the peoples of Europe and America from making a more effective use of these principles than the peoples of Central Africa have yet done.

of life. As shown above, this is made possible by the combined institutions of the family and family property.

As has been pointed out, some forms of the family and some forms of property work better than others. Where these two institutions are well adapted to their fundamental purpose, a large fraction of the nation can lift itself above the level of want. Where they are poorly adapted to their purpose, only a small fraction of the nation escapes want. Much, therefore, remains to be done to adapt these two institutions to their fundamental purposes.

Extrication Number 7: Balancing the Economic Functions

Our present economic system has at least prevented general famine in those parts of the world where its development has advanced through the six stages described above. No such national calamity as universal hunger is possible except as a result of some physical or social cataclysm which would amount to a subversion rather than a normal development of the system. The worst that can be said against the system is that it has not equalized prosperity or abolished the poverty of a submerged element, larger or smaller, according as the system is retarded or advanced in its development. There remains, therefore, the need of an extrication of this element. This is the problem of the present and the immediate future; it is the problem which more than justifies all the energy and intelligence that can possibly be put into the study of economics.

The problem of poverty in the present stage of economic development has become a problem of low wages and unemployment. Its solution must take the form of finding a way of providing such remunerative employment for all as to provide everyone with a surplus well above the necessaries of life. That problem is by no means insoluble, though most proposed solutions are futile because they are put forward by people who have no clear understanding of the economic system or the technology of its control.

The minute division of labor, which has become a powerful factor in increasing production and advancing prosperity, itself creates a number of problems, among which is that of occupational inequality, or inequality of prosperity among the various specialized occupations. Every form of specialization creates the possibility of inequality of reward, and social control must be directed intelligently toward preventing these possibilities.

Specialization takes on many and widely different forms, conspicuous among which are, first, different groups of producers producing different commodities and then exchanging surpluses; second, different groups of producers performing specialized parts of the work of producing the same commodity. The first of these forms of specialization creates the possibility of inequality, but the problem presents no special theoretical difficulties; that is, it is not difficult to see and understand how and why the inequality occurs. That being the case, the remedies are not difficult to prescribe, though it may be difficult to persuade voters to adopt the prescription.

Let us suppose, for example, that in a simple agricultural community some farmers specialize on the growing of wheat and others on the growing of beef. If too large a proportion happened to grow wheat and too small a proportion to grow beef, the desires of the community for the two forms of food would be very unequally satisfied. There would be a craving for more beef and an indifference toward bread. This would be equally true whether the community were communistic or individualistic; the difference would be in the ways in which the condition would express itself. If permitted to express itself on the market, that is, if free buying and selling were permitted, it would certainly express itself in the form of a high price for beef and a low price for wheat. In fact, it would require drastic repression to prevent men from trying to buy more beef by offering large quantities of wheat for small quantities of beef. So long as the situation lasted, this would mean unequal prosperity for the two groups of specialists; the beef growers would be relatively rich and the wheat growers relatively poor. In a strictly communistic society, where buying and selling was suppressed, the basic fact would have to find some other way of expressing itself.

In a society where free buying and selling is permitted, the situation would tend to cure itself automatically; that is, the low price for wheat would normally discourage wheat growing and the high price for beef would encourage beef growing, and these facts would, in the absence of hindrances, reduce the number of wheat growers and increase the number of beef growers until a balance

was restored under which the prosperity of the two groups of specialists would be, all things considered, approximately equal. If it is found that there are hindrances in the way of such a readjustment, such as a monopolistic control of beef growing, the remedy would seem to lie in the direction of removing those hindrances in order that the readjustment might take place rather than in the suppression of all buying and selling, or the decreeing of equal prosperity for both groups without first redistributing the workers among the two occupations. The technology of economic reform consists in knowing how to find such hindrances and how to remove them in order that economic forces may effect the cure.

It might be found, for example, that the monopolistic control of beef growing was due, not to the machinations of beef growers, but to the simple fact that beef growing required a special kind of skill or knowledge which boys who grew up on wheat farms had no means of acquiring. In that case, instead of railing at beef growers, calling them plutocrats and other hard names, which would only make them unpopular and discourage others from trying to become beef growers, thus making a bad situation still worse, beef growers should be commended. The remedy is twofold. First, beef growing should be rewarded partly with esteem. That alone would encourage more men to try to become beef growers, and that would tend to keep the price of beef down. In other words, beef growers would be rewarded partly with esteem and partly with money. If esteem is withheld, more money will have to be paid. Second, schools should make it

easy for boys who grow up on wheat farms to learn the science or the art of beef growing. Thus the monopolistic control of beef growing would be broken, and prosperity would tend to equalize itself between the two occupations of wheat growing and beef growing. By the same general method, prosperity can be equalized, completely or approximately, among all occupations.[1]

The other form of division of labor, under which different groups of workers perform different parts of the work of producing the same commodity, presents a more complicated problem, but a careful analysis will show that the same principles are involved and the same remedies suggested. This form of division of labor again divides itself into two special kinds. First, different groups of workers will be found working on the same piece of material at different times, bringing it through successive stages as it approaches completion. Second, different groups will be found working contemporaneously either on the same materials or on different pieces of material that are later to be assembled in a completed article.[2]

An example of the first is found in the case of farmers, millers, and bakers, to say nothing of carriers and various others who participate in the production of bread. If there should be a lack of balance between the three occupations, or between any two of them, there will be an inequality of prosperity. If, for example, there should be

[1] As to just what is meant by equality among occupations, see Chapter VI, on Equality.

[2] See Professor Taussig's distinction between contemporaneous and successive division of labor, in *Wages and Capital* (New York, D. Appleton and Company, 1899), p. 6.

a relative scarcity of millers, or a relative superfluity of farmers, millers would get a relatively large and farmers a relatively small proportion of the total price of flour. The remedy is the same as the one suggested in the case of wheat growers and beef growers. It is to remove whatever hindrances are found to be preventing the free flow of labor and enterprise into the two occupations. In most of these cases, the greatest hindrance is ignorance, the removal of which calls for education.

An example of the second, or contemporaneous, kind of divison of labor is found inside the flour mill or the bakery, or any other large establishment where different groups are doing special kinds of work in the production of the same product. The possibility of a lack of balance exists here as well as in the other cases, the same results follow from such a lack of balance, and the same remedies suggest themselves. If there should be more weavers in a textile industry than are needed to spin the limited amount of yarn which the limited number of spinners could supply, there is a greater need for more spinners than for more weavers. Under free bargaining, the greater need for spinners will express itself in the form of higher wages, and the lesser need for weavers in the form of lower wages. Unless there is some hindrance, this difference of wages would speedily correct itself by inducing more to become spinners and fewer to become weavers. If there is some hindrance to such occupational redistribution, the obvious thing to do is to remove that hindrance. If that can be done, the situation will correct itself.

Most differences in the prosperity of different occupations will be found to be a result of some hindrance to the occupational redistribution of the working population. A positive program of social betterment must therefore consist largely in the removal of these hindrances. The technology of economic reform consists of skill in detecting these hindrances and of carrying out programs for their removal. Cases of monopoly and partial monopoly are among the various hindrances, but a general program for the elimination of monopoly by no means exhausts the possibility of immobility of labor.

One key to all programs of permanent economic improvement is the understanding of the concept of a static condition of the market, or a condition of equilibrium of supply and demand. A static condition is an equilibrium of forces. By disturbing that equilibrium intelligently the forces at work can be made to produce automatically, so far as further effort is concerned, the results desired. This is the method of the engineer, of the diplomat, and of everyone else who produces large practical results with a minimum of effort.

One example of a static condition is the biologist's concept of a balance of nature. The biologist who once understands the factors that enter into a given balance can then so play upon the forces at work as to produce with comparatively slight effort results that would require armies to accomplish by main force and direct methods. Insect pests, such as the chinch bug and the gypsy moth, can be effectively controlled in this way. In the sugar plantations, rats have sometimes been effectively con-

trolled by the simple device of introducing the Egyptian mongoose. A wholesale rat killing campaign by main force would have cost infinitely more and probably have produced less satisfactory results. A drainage engineer can show how, by the digging of a few ditches, the drainage system of a continent may be changed and billions of tons of water transferred from one ocean to another without further effort—that is to say, automatically. Similarly, a shrewd diplomat, by knowing how to play upon the balance of power, may change the course of human history with a moderate amount of effort.

The concept of an equilibrium price on the market furnishes the economist with a key to reform comparable to that which the balance of power furnishes the diplomat, or the balance of nature the biologist. An equilibrium price is a price which will induce producers to supply as much of a commodity in question as buyers are willing to buy. At the equilibrium price the market clears itself; exactly as much is offered for sale as is bought, leaving neither would-be buyers ready to pay the price but unable to get the commodity, nor would-be sellers willing to sell for the price but unable to find buyers.

Every price for whatever commodity tends to become an equilibrium price, and in the absence of disturbance actually becomes an equilibrium price. Even when disturbed, it tends to reassert itself. An economist who understands the factors and forces that operate to maintain this equilibrium is then in a position to play upon it in such a way as to produce vast and permanent results with relatively little effort. Any other method than this is likely to

prove as ineffective as an attempt to eradicate the fly or the mosquito by merely swatting. A little effort expended in the direction of destroying the breeding places of the fly or the mosquito is much more effective. A little effort put forth in the direction of changing the equilibrium of forces that produce a given price is likewise more effective than any direct price fixing legislation by the government.

If, for example, by some government decree or trade-union rule the price of a given commodity—say a given kind of labor—is forced above the equilibrium level, that is, above the level which will induce just as many men to seek employment in the occupation in question as employers are willing to hire, the equilibrium is, of course, disturbed. But it tends to reassert itself, first, by reducing the number of men whom employers are willing or able to hire, and at the same time by increasing the number of laborers who will seek employment in that occupation. One of the first results of this disturbed equilibrium is unemployment—more laborers seeking employment in this occupation than employers are willing or able to hire. This mass of unemployed laborers, in turn, will create a long train of consequences which will require increasingly severe legislative measures or trade-union activities to control. Rather than remain unemployed, some of the laborers will be induced to offer to work for less than the artificially established wage. If they are permitted to do so, they will break the artificial wage scale. If prevented, still worse consequences are likely to follow.

Instead of trying to raise wages directly and creating this long train of consequences, there would at least be

considerable economy of effort if we were to turn our attention to the general factors that determine the equilibrium wage in order to see if we cannot change some of these factors and create a new equilibrium that will give a higher wage. If this can be done, then without further effort, wages will rise automatically. When a new equilibrium wage at a higher level is established, it persists and does not bring with it such a train of evil consequences as invariably follow the attempt to decree wages directly.

In order to deal effectively with any economic problem it is, of course, necessary to understand the factors and forces that are in the balance. To be somewhat more specific, it is necessary to know what factors are at work inducing laborers to offer themselves for hire in a given occupation in order that we may understand how to change the equilibrium in such a way as to produce a higher equilibrium wage. When we once understand this problem, we may find some way of reducing the number of laborers who will offer themselves for hire at the low wage or of increasing the number which employers will be willing to hire at that or some higher wage. In either way, the equilibrium would be changed, and a higher wage would be necessary to bring about a balance between those seeking employment and the number wanted by employers.

If, for example, it is found that one factor in the equilibrium of the demand for and the supply of labor of a given kind is free immigration from low-wage countries, the remedy is easy. If we find that a very low wage is sufficient to induce as many laborers to come from these low-

wage countries as employers are willing to hire at this low wage, the restriction of immigration from those countries would change the equilibrium and automatically bring about a higher wage level. Moreover, the new equilibrium wage would establish itself without further effort after restriction becomes effective. It will then require a higher wage to induce as many laborers to offer themselves as employers are willing to hire. Most members of the employing class seem to be more familiar with the laws of the market than are manual laborers; they are therefore in a somewhat better position to deal with this problem of an equilibrium wage than are their employees. Some of them, at least, show a perfectly clear understanding of the line of procedure. For example, the late Frank A. Munsey who, like many of his class, seemed to know exactly what he wanted and how to get it, made the following suggestion before the American Bankers Association in 1922:

> The law passed by Congress soon after the war restricting immigration is wholly responsible for the present labor shortage. If this law had never gone on the statute books, if our portals had remained as free to immigration since the war as they were before the war and as they have been throughout our history, our inflated wage scale would have been well liquidated before now.

This furnishes an excellent example of the superior efficiency of the method of controlling price by playing with the economic equilibrium over the method of direct manipulation of price. It would have taken Mr. Munsey's class a long time and much hard fighting to beat wages down by any other method. If, however, they

could get the restriction of immigration removed, wages would fall automatically without further trouble on their part. However, if wages can be forced down by this simple device, they can also, if other factors remain the same, be maintained at the same level or forced even higher by an equally simple process, that is, by still further restricting immigration or by putting the American continent as well as Europe on the quota basis.

Again, it may be found that one factor in the equilibrium is a low standard of living on the part of native laborers. If they have a low standard, they will multiply and keep the labor market well supplied even though they are getting low wages. If the standard of living can be raised, they will not multiply and offer themselves at such low wages. The resulting scarcity of labor will, within a generation at least, result in a higher equilibrium wage. That is to say, where laborers have a very high standard of living, one generation after another, it will take a very high wage to induce as many laborers to offer themselves for hire as employers are willing to hire.

It is almost a truism to say that if no one would marry and undertake the support of a family until he could have a savings deposit, a life insurance policy, a home, or a Ford car, then no children would be legitimately born except in homes where these things existed. That would, in a generation or two, so thin out laborers as to establish such wages as would enable all these things to be provided for every family. In other words, it would eliminate low wages and poverty.

At this point, perhaps, we should stop to consider a

very large and general question that has been something of an economic puzzle. Why do not men avoid every poorly paid occupation and enter those that are well paid, so long as there are any differences? It is obvious that if they did, all differences of prosperity as between or among occupations would tend to disappear. The moment any occupation became a little more remunerative than any other, the oncoming stream of youth looking for careers would pour into the more remunerative occupation until the sum total of satisfactions, pecuniary and non-pecuniary, in that occupation were no higher than in any other. Or, conversely, if any occupation showed signs of becoming less remunerative or less satisfying than others, the oncoming stream of youth would be diverted from that occupation until the scarcity of workers would raise the sum total of satisfactions in that occupation to the level of the others. Why does not labor flow thus freely? If the answer to this question can be found, it may then be possible to solve most of our problems of inequality.

We may state the general proposition that hindrances to the free flow of labor from one occupation to another are responsible, but this is only to name the problem. What are the hindrances? If they can be discovered and removed, then the free flow of labor from one occupation to another will automatically cure most forms of inequality. If they cannot be removed, then some other method of cure must be found. As suggested in a previous paragraph, monopolistic control of one occupation may be such a hindrance. If that is found to be the case and if that monopolistic control can be destroyed, then the

inequality that grew out of that monopolistic control automatically cures itself. In another case, ignorance may be found to be a hindrance—for instance, one highly remunerative occupation may require a kind of skill which few possess or have the opportunity to acquire. If such is found to be the case and if an educational system can be devised which will dissipate that ignorance or destroy the monopoly of knowledge, again, as in the case of the removal of other monopolies, the removal of this monopoly will result in an automatic cure of the inequality.

In short, the technology of reform consists largely in discovering hindrances to the free flow of human energy into the different economic channels through which human energy can be applied to industry. Far from being a *laissez faire* policy, this requires positive action on the part of the state or positive social control of one kind or another. Unlike many schemes of social reform, however, it is satisfied with the removal of hindrances and then relies upon economic forces after the hindrances are removed to effect an automatic cure of the inequalities that previously existed. In this respect only does this policy resemble what used to be called *laissez faire*.

Experience has brought clearly to light certain hindrances to the movement of labor from poorly paid to remunerative activities. Among them we find (1) lack of educational opportunities; (2) lack of dependability, due to drunkenness or other intemperance; (3) lack of managerial capacity, due to either a wrong intellectual attitude towards business or premature retirement from management; (4) scarcity of capital. We shall now examine the

four hindrances here mentioned. To these may be added two which have already been discussed—the free immigration of foreign labor, and indifference to the family standard of living.

If it has been found that one cause of low equilibrium wages in certain occupations is the lack of educational opportunities, the remedy may be applied at the source by providing such opportunities. After that is done, we may safely rely upon economic forces to bring about a cure. No one will then be forced into an unremunerative occupation. He will be able to choose between those that are remunerative and those that are unremunerative, and a large enough number may be relied upon to make an intelligent choice to bring about a change in the balance.

It must be confessed, however, in this connection that certain economic optimists have, in the past, placed too much dependence upon an assumed natural mobility of labor. In the absence of first-class educational opportunities there is no such natural mobility. Children who grow up in families that were too poor to pay the cost of education are practically doomed to follow some occupation for which no education is necessary. The poverty existing in such occupations does not cure itself but tends to become accentuated. There are only two possible ways of curing it. One is to tax other and more remunerative occupations by giving those who carry on these occupations less than they are worth in order that those who are crowded into the unremunerative occupations may be paid more than they are worth. This may be disguised under various names, such as socialism or communism, but no

name can disguise the fact that some are being supported in part out of the products of others—which is charity and not justice, unless the two terms be identified or confused.

A system of free and universal education, especially if it is directed toward practical ends by educational statesmen who understand the principle of occupational balance, will greatly increase the mobility of labor. It will give every young person a wider choice of occupations. It will enable them, in considerable numbers at least, to qualify for the occupations that are well paid and to avoid those that are poorly paid. This will in itself tend to equalize wages or rewards.

It is not necessary, of course, to pretend that the field of choice is unlimited. An unlimited choice is not necessary to cure the difficulty. If a small percentage should change from the unskilled and poorly paid to the skilled and well paid occupations, it would make considerable difference in the relative remuneration of the two classes of occupations. Such an improvement in the educational system would raise the equilibrium wage in the occupations that were previously poorly paid. In short, it would take a higher wage to induce as many workers to offer themselves for hire as employers were willing to hire.

Even a moderately efficient educational system would produce profound changes of this kind; that is, it would thin out the numbers that would otherwise be compelled to follow the lowest grade of occupations and increase the number that would be fitted for the higher grade occupations. This might be illustrated by the following hypothetical table:

DISTRIBUTION OF WORKING POPULATION AMONG INDUSTRIAL GROUPS

Occupational Groups	Assumed Distribution of Workers in a Country without Popular Education *(per cent)*	Resulting Distribution of Workers in a Country with Popular Education *(per cent)*
A	4	8
B	8	12
C	16	24
D	32	36
E	40	20
	100	100

Even though hypothetical, these figures are sufficient to illustrate the principle. In this table we shall grade the occupations into five groups according to the degree of mentality required in each.[1] In Group A we shall include the highest grade of occupations, that is, those in which properly qualified men are scarce and highly paid. In Group E we shall include the lowest—those in which properly qualified men are most abundant and most poorly paid. The other groups are arranged between these two extremes. Let us assume that, in the absence of a system of popular education, only 4% of the working population would be fitted for the occupations in Group A, 8% in Group B, 16% in Group C, 32% in Group D, and 40% in Group E. This inequality in the occupational distribution of the population would normally produce a wide inequality in the incomes of the different groups. Those in Group A would normally receive inordinately large

[1] See Carver and Hall, *Human Relations* (D. C. Heath & Company, 1923), p. 229.

incomes, those in Group E distressingly small incomes. In fact, it is found that the occupational inequality is always high in those countries where the educational system is not highly developed.[1]

But if in the same country or in one with a similar distribution of natural talent a highly efficient educational system were introduced as a factor in changing the balance, results similar in principle to those illustrated in the third column might be expected to follow. If the better 50% of those who, without education, would be compelled to follow the occupations in Group E could be trained sufficiently to enable them to enter Group D, this would leave only 20% of the total population in the condition of being compelled to follow some occupation in Group E. Again, if half of those who, without education, would be fitted only for occupations of the D group, were under the educational system promoted to the C group, and if half of those who, without education, would follow the occupations of the C group move on to the B group, and so on to the top, we should then find the possible occupational distribution represented by the third column. This shift in the occupational distribution of the population would disturb the equilibrium wages of all occupations and would tend to raise the wages of the lower grades, especially the very lowest, and to reduce the incomes of the upper grades, especially the very highest. In short, it would flatten out the curve of inequality.

Again, it may be found that one hindrance to the mo-

[1] See an article by S. N. Procopovitch on "The Distribution of National Income," *Economic Journal*, March, 1926.

bility of labor is drunkenness. In this interlocking civilization with its multiplicity of interdependent parts, dependability is one of the most valuable of all economic qualities. Nothing so unfits a man for the higher economic positions as undependability. Next to lying, stealing, and killing, drunkenness is the most destructive of all vices because it strikes directly at a man's dependability. Widespread drunkenness merely means, therefore, not only that large numbers who might otherwise be promoted to the higher positions cannot be promoted, but also that many who might have continued to hold higher positions must be demoted. This would tend inevitably toward the congestion of the lower occupations, where men can be watched and supervised and where dependability, therefore, is not of such vital importance. If drunkenness should be found to be one of the hindrances to the mobility of labor, a rational remedy would be to eliminate drunkenness rather than to try to force wages to an artificial level in those occupations that were congested because of the fact that large numbers of men could not qualify for anything better.

The equilibrium wage is not wholly a matter of the supply of labor. It is partly a matter of demand. Even with a small number of laborers in the country, there might be a low equilibrium wage if there is very little demand for labor. The lack of demand might create a situation in which as many laborers would offer themselves at a dollar a day as would or could be hired by a limited number of employers of low business capacity. A larger number of employers of higher capacity would be able to

pay higher wages, and the competition would probably compel them to do so because it would compel them to establish a higher equilibrium wage. It might very well require a five-dollar wage under these conditions to induce as many workers to offer themselves as employers were willing to hire. This will indicate that it is quite important that we analyze the factors that determine the demand for labor as well as those that determine its supply.

If we find in a given country that managerial capacity, even of a mediocre sort, is very highly remunerative, while manual labor receives very low wages, the old question occurs, why do not more people become managers and fewer become laborers? Unless we are willing to fall back on fatalism or Divine Providence and say that only so many men are fated to become managers and that the great mass are fated to become workers, we must try to find some reason for this bad distribution of human talent as between managerial and manual occupations. What are the hindrances which prevent men from becoming business managers, enterprisers, and the like? One hindrance may be that the colleges and universities of the country have taken a supercilious attitude toward business and have devoted all their time and energy toward the problem of diverting much of the talent of the country from business into the ornamental professions. Where that is the case, the universities are partly responsible for low wages and widespread poverty on the part of the workers. If, after having succeeded in preventing the best talent of the country from going into business, leaving industries to be run by second-rate and third-rate men, the

universities and their spokesmen should content themselves with berating those second- and third-rate men for not paying higher wages, the universities and their spokesmen would be acting very stupidly. They would be no more entitled to respect than would the universities of a country be if they used all their power and influence to keep the best men from going into medicine, with the result that only second- and third-rate men went into medicine, and then content themselves with merely scolding these men for not doing more to improve the public health and lower the death rate.

A prejudice against business, whether led by the universities or created in some other way, acts as a hindrance to the free flow of human talent from one occupation to another and may be a powerful factor in preserving inequality of prosperity among occupations. To try to force a small number of managers and enterprisers of low capacity to pay higher wages than their low capacity will enable them to pay is merely to force some of them into bankruptcy and throw considerable numbers of laborers out of employment, creating an industrial reserve army and thus making a bad matter very much worse.

General observation reveals the fact that every country in which business is held in lower esteem than the military profession, law, medicine, and theology; in which universities uniformly try to train men for anything except business, always has a scarcity of active business talent and has low-grade industries paying low wages. On the other hand, any country in which business is held in as high respect as any of the professions, and in which the universi-

ties frankly accept this and train a fair share of the best talent of the country for industrial careers, has first-class industries paying relatively high wages. This suggests the obvious remedy, though the problem of applying the remedy is not easy. How can the prejudice against industrial careers be removed? If the colleges and universities do not take the lead in the matter, it will probably never be removed.

It may be discovered that in a given country one reason for the scarcity of men of high ability in industry is that it is the custom of the country for men to retire from business to a life of elegant leisure as soon as they are financially able to do so. Where that is the general habit, the most capable men will retire at an early age; the least capable will remain in business longest. Except for the brief careers of men of great capacity, industries in such a country will be mainly in the hands of second- and third-rate men. There will be second- and third-rate industries, which can pay only second- and third-rate wages. If this is discovered to be a factor in the low wage levels of that country, the remedy is obvious, though it may be difficult to apply. Those who rail at business men and hold them up to public obloquy because they do not retire from business and begin to live, as they express it, are doing diametrically the wrong thing. They make capable men more reluctant to enter industry and more anxious to retire from it as soon as they can. Those intellectual men and women who do the railing would do infinitely more to benefit labor if they would show those business men whom they think to be stupid how really to run a business intel-

ligently, that is, how to run a business in such a way as to be able to pay expenses out of receipts. Even if their literary aptitudes are too specialized to enable them to pay high wages, they could at least use their literary power to make some men who have practical talent not only go into business but stay in business as long as they can retain their business capacity. If literary men could accomplish that result, industries would tend to be run more and more by first-rate men, to become first-rate industries, and to pay first-rate wages.

It may be found that in a backward country the equilibrium wage is low because of a scarcity of capital. If capital is scarce, it is difficult to equip labor with the best tools, engines, and other accessories. If that is the case, the productivity per man must be small, and where the productivity per man is small, the wages per man must be small also. Where that is found to be the case, the obvious thing to do is either to borrow capital from other countries or to start a thrift campaign in order to accelerate the accumulation from within. If either method is successful, it will then be possible to equip industries with the most powerful engines and the best labor-saving devices, and this will make it possible to pay high wages to such laborers as are employed. If this campaign for the increase of capital is a part of a general campaign, including programs for the reduction of the number of ignorant and unskilled laborers and for the increase in the number of technicians, managers, and enterprisers, it will result in a general diffusion of prosperity among all classes.

The following tables show an interesting correlation

between the equipment in the form of capital per worker and the productivity per worker on the one hand, and also an equally interesting correlation between the productivity per worker and the wages per worker.

PRODUCTIVITY PER ACRE AND PER PERSON ENGAGED IN AGRICULTURE IN VARIOUS COUNTRIES*

Countries	Year	Acres per Person Engaged in Agriculture	Index Figure of Productivity per Acre	Index Figure of Production per Person Engaged in Agriculture	Ratio of Production per Man, United States to Countries Indicated
United Kingdom	1901	7.1	177	126	2.3
France	1901	7.3	123	90	3.2
Germany	1907	7.1	167	119	2 5
Hungary	1900	7.1	113	80	3 6
Belgium	1900	5.3	221	117	2.5
Italy	1901	4.7	96	45	6.5
United States	1900	27.0	108	292	....

*From United States Department of Agriculture, *Yearbook*, 1918, Table 290, p. 693.

We may summarize the argument presented under the general head of Extrication No. 7, balancing the economic functions, by pointing out that a wide diffusion of such prosperity as the physical resources permit will exist in any country in which the following factors are at work.

1. A democratic tradition under which (*a*) every per-

COMPARISON OF 26 INDUSTRIES IN THE UNITED STATES AND THE UNITED KINGDOM*

	United States (1909)	United Kingdom (1907)
Number of workers	1,983,000	1,700,000
Horse power used	4,779,000	2,009,000
Horse power per 1,000 workers	2,400	1,200
Gross output per worker per year	$8,735	$3,100
Net output per worker per week	$79	$11

*From J. Ellis Barker, *Economic Statesmanship*, pp. 519, 524.

REAL WAGES IN FOREIGN COUNTRIES AND THE UNITED STATES, JANUARY TO OCTOBER, 1925*

City	October, 1925	July, 1925	January, 1925
Philadelphia	100	100	100
Ottawa	88	81	69
Sydney, N. S. W.	76	77	70
Copenhagen	64	53	41
London	53	55	45
Oslo	52	45	38
Amsterdam	46	46	37
Stockholm	46	40	36
Paris	...	...	33
Berlin	35	34	29
Lodz	33	33	27
Brussels	31	32	28
Prague	31	28	29
Warsaw	28	28	23
Rome	...	27	23
Vienna	28	26	23
Milan	26	27	21

*From data collected by the International Labor Office of the League of Nations.

son, however humble his origin, is encouraged to make the most of himself and to climb as high on the economic ladder as his ability and training will permit, and (*b*) all useful occupations are regarded as equally honorable and in which, specifically, technical managerial and entrepreneurial positions are held in as high esteem as the so-called learned professions or even literary and artistic careers, so that a fair share of the best talent of the country is encouraged to seek these so-called practical careers.

2. Habits of hard and prolonged work on the part of prosperous men which will keep them at work even after they have enough wealth to enable them to live in ease and luxury.

3. An efficient system of free and universal education, by means of which men are enabled to climb as high on the economic ladder as their natural ability and their am-

bition will permit, thus thinning out the numbers in the lower and less well paid occupations and training more high-grade men for the technical and managerial positions, who can so organize and equip industries as to make high wages possible.

4. An effective restriction of immigration which will prevent other and less prosperous countries from shifting their burdens of unemployment and low wages upon the country in question.

5. A high standard of living on the part of the laboring classes which will lead them to postpone marriage and the raising of families until they are economically able to support them on the high standard; especially, a rational standard of living which will lead them to postpone marriage until they can provide safety for their families in the form of savings deposits, insurance, and small investments.

6. Widespread habits of thrift which will ensure a rapid accumulation of capital, ample equipment for all industries, and low rates of interest.

7. Control of drunkenness and other forms of intemperance which destroy the necessary virtue of dependability.

Flight to new lands; work, organization, and invention; control of rapine and predation; responsible parenthood; balancing the economic functions of men—such have been and still are the principal expedients whereby mankind has escaped the clutches of want. But the success of these expedients depends upon the will and the skill to use them.

The races and nations of mankind are not and never have been equally intelligent and resourceful in devising and adopting those institutions and customs which enable the populations in some measure to avoid widespread poverty. There are parts of the world whose peoples are improvident and irresponsible, and the pressure of want against their ineffectual resistance is a danger to the defences of those peoples that have for the time successfully repelled the common enemy.

The greatest tragedies of history are the results of the covetousness of the improvident and the inability of the more industrious and provident to fight them off. The immediate results are quite as pathetic and the ultimate results far more destructive than those that follow the conquest of a backward tribe by a more advanced nation, as when Europeans conquered the native Americans. In other words, the submergence of a civilization by barbaric conquest is even more tragic than the forcible imposition of a higher upon a lower civilization.

So evenly balanced are the forces of production and destruction in social life, or, to put it figuratively, so evenly balanced are the processes of anabolism and catabolism in our social metabolism, that a seeming trifle may turn the balance one way or the other. When the balance is slightly in favor of production, there is progress and a larger and better human life. When the balance is even slightly on the side of destruction, there is retrogression and a narrowing down of the possibilities of human life.[1]

[1] So, likewise, is there an almost even balance of the forces of good and evil, of truth and error, of health and sickness, and so on and so on.

Those parts of the world that have succeeded in producing increasing quantities of food (that is to say, Europe and America) and in feeding their people better than others are fed, owe more than they are perhaps aware to the fact that superior firearms are numbered among their many inventions. Otherwise it is not certain that they would not long ago have been overrun by hungry hordes from other regions who are forever looking for something more to eat.

It will probably never be known just what destroyed the various prehistoric civilizations that once existed on the American continent, from the so-called mound builders of the Upper Mississippi Valley to the Mayas of Yucatan, since they had all disappeared before the advent of the European. There is no evidence that they were conquered by a superior civilization, as was the case when Mexico and Peru were conquered by the Spaniards. If that had been the case, the conquering civilizations must certainly have left some trail. As good a guess as any is that those earlier civilizations perished because they were not able to defend themselves against the incursions of their savage and therefore hungry and covetous neigh-

---

Probably few of us realize how definitely the balance was turned in favor of truth as against organized superstition by the invention of the mariner's compass, which enabled navigators to demonstrate, against all the sophistries of ecclesiastical pedants, the sphericity of the earth. The telescope, the balance, and a few other mechanical devices added to the advantage. Otherwise, the world would have been about equally divided to this day between those who believed in the sphericity and those who did not. Probably the slow progress which the doctrine of evolution is making among the masses is the result of a lack of some mechanical contrivance that will demonstrate it to the eye and silence the sophist. Economics is especially in need of such a silencer.

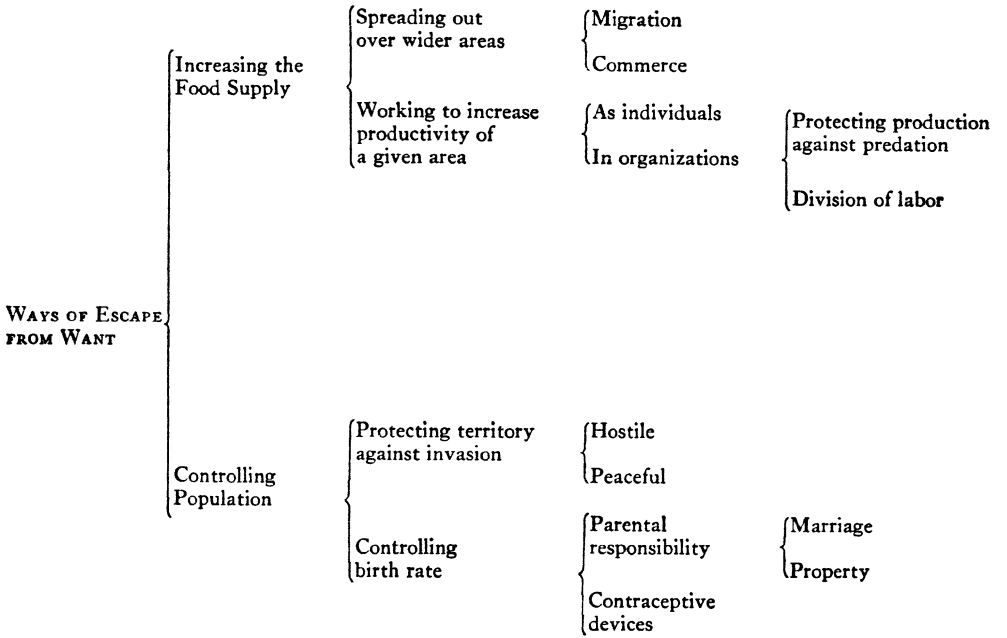
bors. The same fate may yet overtake the civilization of Europe and America if the people to the east, south, and west ever become hungry enough and therefore desperate enough.

The almost even balance between the forces of truth and error is illustrated by the all but convincing arguments which the incompetent and the improvident everywhere can present to show why they have a right to share in the good fortune of the competent and the provident. "The earth is for all;" "No group should be permitted to play the dog in the manger by refusing to let others share in the bounty which it enjoys," and other catch phrases have a strong appeal. By means of such sentiments, improvident nations which have permitted themselves to become overcrowded, either because of an ineffective use of their land or because their family systems have permitted a too rapid increase of numbers, can convince themselves that the more provident nations are acting unjustly when they are merely taking the most elementary precautions against overpopulation and hunger.

It is a depressing thought that every economic Zion which the world has ever seen has been destroyed in one of two ways. If a group of people anywhere ever succeed in developing superior institutions which put them definitely on the road to prosperity or to achieve a higher degree of comfort and happiness than are enjoyed by their neighbors, these neighbors immediately demand the privilege of sharing in that prosperity and are not satisfied with the privilege which they already possess of achieving a similar prosperity for themselves by copying the institu-

tions which have made the fortunate group so prosperous. The prosperous group is then in a dilemma, either horn of which may be fatal. If it keeps its neighbors out, they will resent such action and may combine to destroy it by military invasion. If it welcomes its neighbors, they will spoil its economic Zion by their improvident vices or by an overturn of the institutions that have made it prosperous. Even this proposition is not sufficiently obvious to the average mind to make it certain that the fortunate group will not deliberately commit group suicide by a too liberal policy toward those who demand, as a God-given right, the privilege of sharing the prosperity which the superior institutions of the fortunate group enabled it to achieve.

Whether our economic Zion is conceived of as a large group, similar to that now called the nation, as a middle-sized group, such as a patriarchal clan, a village community, or a religious colony, or as a tiny group such as a monogamic family, the dangers are the same and the remedies not very unlike. The fact that the group—large, middle-sized, or small—becomes more prosperous than other groups of the same nature is a cause of resentment and a stimulation to covetousness. It is useless to point out to the improvident that the principles of economics are universal and that the same institutions and habits that make one prosperous will make all the others prosperous—at least up to the limit set by their natural resources. All the improvident groups would prefer to share the prosperity of the provident rather than to work out their own economic salvation. In the last analysis


WAYS OF ESCAPE FROM WANT
Increasing the Food Supply
Spreading out over wider areas
Migration
Commerce
Working to increase productivity of a given area
As individuals
In organizations
Protecting production against predation
Division of labor
Controlling Population
Protecting territory against invasion
Hostile
Peaceful
Controlling birth rate
Parental responsibility
Marriage
Property
Contraceptive devices

it simply means that they would rather gratify sex and then share the prosperity of those who practise continence than to achieve their own group prosperity by postponing marriage until they are able to support families in comfort. Racial memories are so stirred and iridescent idealism so stimulated by romantic allusions to matters of sex as to drown out the voice of reason when it calls attention to the consequences of that form of improvidence which consists in the reckless and irresponsible begetting of offspring.

But in spite of voices of despair about our economic salvation, the struggle still goes on. The Great Escape is never permanently achieved in this economic world. Man may never breathe freely, forever secure from want. But if the circumstances with which he struggles are still fraught with danger to his very existence, man is still ingenious—he still devises his economic strongholds. And he has that in him which will not surrender.

II

"SOMEHOW GOOD"

WE HAVE dramatized our economic world somewhat by presenting it as a story of escape from want. To a considerable degree—and in certain parts of the world—this escape has been relatively successful. Our present economic system, the result of many centuries of trial and error as methods of testing various devices for bettering the economic condition of mankind, may now be briefly examined, to see whether it is not at least as good as any other, and whether it promises continued progress in the elimination of want. If we call our chapter "Somehow Good" it is because we recognize that no achievement, economic or otherwise, can attain perfection—fortunately for mankind, for with perfection forever unattainable, he may forever be achieving some improvement.

What, then, is our present economic state? For a suggestion of this interesting theme, we find at the close of a recent book on Calvin Coolidge by William Allen White the following significant statement, which is quoted not so much for what it says about Mr. Coolidge as for what it says about the country in general:

> Meanwhile, into these new, modern times, when all the world is clinging to the old order with terror in its heart, a new element of justice has come. Industry by its mass production of material things, turning them out of the factory by millions, has distributed,

through the ordinary agencies of a rather sordid commerce, mountains of material things springing in myriads from the machines; distributed them with no puling thought of justice, but only because the mountains could not pile up at the factory doors. These things—needs, comforts, luxuries, houses, clothes, food, fuel, motor cars, radio sets, telephones, tooth paste, floor coverings, electric household machines, labor-saving farm tools, cement highways, tall buildings, public halls, dry goods, and fancy groceries—have been spread out among all the peoples somewhat equitably. We have made, despite the reactionary character and quality of our politics, through the commercial momentum of the whirring wheels, a kind of justice in the distribution of this world's goods; an equitable distribution which laws and political forms and customs would have denied to us under the reign of terror in our hearts. The fountain of justice blocked at its political source has gushed forth in an unexpected vent. The mysticism of Coolidge and the leaders of his day, their faith in the occult power of mere business to produce justice, is thus somewhat justified.

Alongside of this we should like to place a quotation from a letter received from a minister of religion, Dr. Walter Henry MacPherson, of Joliet, Illinois. The letter was written after reading a recent book by an obscure author, entitled *The Present Economic Revolution in the United States.* It closed with the following statement:

> It will help me to stand by my own guns with more faith in what is to me a growing conviction: that the preacher who can't see God in present-day economic life will never see him.

These two quotations, taken together, suggest an interesting theme and may be used as a starting point for some general remarks about our present economic system. Mr. White frankly admits that something resembling what men call justice has emerged, unexpectedly to some, from the great economic machine which many profess to

fear. The minister of religion seems to think that an economic system which can produce such results as are now being produced must have God in it somewhere. It is the aim of this chapter to show that the crude justice which emerges is not an accident but a necessary product of the machine—in short, that substantial justice inheres in the very nature of the economic system under which we live.

Only a few minds, perhaps, are as yet able to see the order in the apparent chaos. It took scientific minds a long time to discern the order in the physical universe; to see that it was not a mere phantasmagoria of moving objects, changing seasons, storms, pestilences, and disasters. At first it was only the spirit of prophecy that could hear the voice singing in silence, in spite of the great and mighty wind, the earthquake, and the fire. Later, the laborious scientist discovered, by the tedious method of observation, experiment, and inference, that all things hang together and make a universe instead of an unordered storm of atoms. We shall attempt to make clear to our readers that the economic system under which we live is not a mere whirlwind of disorganized human motives and passions, but that it is an orderly system, having somewhere at its center a principle of right and justice which produces, in the long run, somewhat equitable results, not by accident, but by a law of its own nature.

CONDITIONS FOR A WELL BALANCED JUDGMENT

In order to arrive at a sound conclusion regarding any economic system, it is necessary to approach our study

with the scientific spirit and lack of bias with which a physical scientist approaches his subject. It is much more difficult, however, to attain this impersonal balance in studying a system of which we are ourselves parts than it is when we study any problem in physical science. The physical scientist is not likely to have inherited any prejudice in favor of or against any of the factors in his problem. He is not compelled to divest himself forcibly of personal interests or preconceived prejudices. The economist, on the other hand, is himself a factor in many of the problems he is called upon to study; his friends, relatives, and his occupational class are also factors. Every economic policy is not only likely to affect him and his friends, but there will always be active partisans in the field, trying to create sentiment for or against it. Under these conditions, it is exceedingly difficult to preserve an unbiased mind and a well balanced judgment.

If you will always speak of the present social order with a wry face and of some other social order with a beatific expression, you can so impress certain impressionable people as to lead them to form a very poor opinion of the one system and a very good opinion of the other, without much regard to facts or reasoning. Even without the use of facial calisthenics, you can accomplish the same result by invective on the one hand, and panegyric on the other, and by the general substitution of innuendo and metaphor for temperate statements of verifiable facts and logical reasoning on the basis of these facts.

One can always make out, from the standpoint of the uncritical, a strong case for one thing and against another,

by mentioning, in exaggerated form, the attractive features of the one and the unattractive features of the other. By this method one can appear to prove that man is lower than the brute and the civilized man lower than the savage. In fact, certain Oriental pessimists used to prove to their own satisfaction that man was actually the lowest and most repulsive of all creatures by describing, with nauseating particularity, the obscenities of the human body. A considerable mass of literature is arising nowadays whose sole aim is to exaggerate the obscenities of the body politic. Another mass is engaged in describing, in equally exaggerated form, the beauties of some other system.

PRECONCEIVED PREJUDICES

Some economists have believed for a long time that the present economic system had in it almost infinite possibilities of progress if it were intelligently directed or given a fair trial. There have been pessimists, however, who saw no good in it, or who at least thought that it had reached its limit. The more optimistic have regarded the acknowledged evils of inequality and poverty as superficial and temporary, even though they improve very slowly. The more pessimistic have regarded them as inherent in the very nature of the system and therefore incapable of cure except by a complete overthrow of the system and the substitution of another. "The rich grow richer and the poor poorer" has become to them a formula.

There were certain large and visible facts which, if

taken without analysis, seemed to give an advantage in the argument to the pessimists. Manual labor had always been oversupplied. That being the case, there was necessarily unemployment for many or low wages for all. On the other hand, it was pointed out that if the number of jobs could be sufficiently increased and the number of manual workers sufficiently decreased, there would no longer be an oversupply of manual labor and there would then of necessity be steady employment at high wages for all. The real question then became, "Can the number of jobs be sufficiently increased and the number of manual workers sufficiently decreased to eliminate the oversupply of manual labor?" "It can't be done," said one school. "It can," said the other. "Where has it ever been done?" asked the one. "The fact that it has never been done is no reason for saying that it can't be done," said the other. "Why hasn't it been done?" asked the one. "Because our policy has never been consistently tried out," affirmed the other.

The appeal to crude historical facts without any attempt to analyze economic tendencies seemed to give the advantage to the pessimists. Crude facts can be presented in dramatic form; economic tendencies can be presented only in theoretical or statistical form, and neither economic theories nor statistics have high penetrating power. The slums and other masses of poverty were visible and seemed, to the unanalytical eye, to persist. Analysis showed that though in this country the slums persisted, their personnel changed. They were, like a reservoir, drained by one stream and fed by another. It began to

appear that if the stream that fed the slums could be shut off and the other streams kept actively flowing, the slums would drain themselves. The restriction of immigration was a beginning, and even the optimists were surprised at the promptness with which the balance was changed. For the first time, the optimists have the advantage of being able to present large historical facts in favor of their contention. They always had the advantage in the theoretical argument.

There are some, however, who still close their eyes to what is going on all around them and continue to repeat the old formulas. Even those who admit that prosperity is being widely diffused in this country are, in some cases, insisting that it will not last. This turns the controversy back into the field of logical analysis, sometimes called economic theory. The optimists argue that the same factors and forces that have brought about the present degree of diffusion can be kept active and that, if they are, they will not only preserve the present condition of diffusion but carry us much farther than we have yet dreamed of going toward equality of prosperity for all classes. To be specific, they affirm that this tendency will last just as long as we continue, on the one hand, to increase the number of jobs by encouraging our ablest men to go into business and expand our industries, and, on the other, to decrease the number of workers; first, by restricting immigration more and more, especially by restricting the wholesale importation of low-wage laborers from Mexico; second, by a sound educational policy which regularly moves the working population upward in the

economic scale, increasing the numbers who are fitted for the higher business positions and decreasing the numbers who are fitted only for the lower wage positions; third, by discouraging drunkenness, which hinders promotion and tends to congest the lower wage occupations. When the scarcity of manual labor becomes the limiting factor in industry, then the manual workers will be in a position, not only of prosperity but of independence and power as well.

The tendency toward diffusion will stop when but not until we reverse the process by doing one or more of several things. We can reverse the process by discouraging our ablest men from going into business and expanding our industries. When our industries are run by second- and third-rate men, we shall have second- and third-rate industries which cannot expand nor employ large numbers of men. We can discourage our ablest men from entering industry in several ways. We can discourage them, for example, by cultivating a general jealousy of or resentment toward those who are successful in building great enterprises or in making two jobs to grow where one grew before. We can also discourage them by changing our educational policy and aiming to produce in our universities men fitted only for graceful consumption, elegant leisure, or the more ornamental professions. We can also work for concentration rather than diffusion of wealth by discouraging thrift and decreasing the supplies of capital. We can do this by writing books on the fallacy of saving and by carrying on an active propaganda in favor of lavish expenditure on the part of all classes. We can do it

also by endowing institutes to further the cause of extravagance, thus limiting the profits of accumulation and ownership to the few and keeping the masses "in their places."

PERFECTION NOT YET ATTAINED

In order to combat the pessimistic propaganda of our times it is not necessary to assume that the present economic system is working perfectly or that there are no evils growing out of it. If that were true, we should have reached the goal of social progress, and there would be nothing more to be done except to enjoy the economic Eden to which our portion of the human race had been restored. Whatever uncertainties there may be as to the ultimate perfectibility of our economic system, one thing is certain, namely, that perfection has not yet been attained and is not likely to be within any period of time in which we have any practical interest. Nor is it likely that a time will ever be reached in which there is not some conflict of interests among individuals within any economic system.

The question, therefore, is not whether we have attained perfection in our present economic system but it is, first, does the present economic system contain possibilities of improvement that will bring us, in the course of time, more and more nearly to some ideal of perfection? and second, are we actually making progress in that direction and can we continue to make progress without scrapping the whole of our industrial civilization and starting over again with an entirely new system? Unless we are

convinced beyond a reasonable doubt that further progress toward our ideals is impossible under the present system, it would seem the part of wisdom to preserve it in its essential characteristics and to make such numerous and detailed improvements as the process of trial and error shows to be necessary from time to time.

It may be useful to remark, more or less parenthetically, that this much despised process of trial and error has, up to the present time, produced better results in every field, from mechanics to nation building, than any other method. Experience seems to have proved that no mind is great enough to understand in advance all the factors that are at work in the production of any single result. No mind, therefore, is capable of predicting in advance exactly what will happen as the result of any experiment or disturbance of an existing balance. Owing to the complexities of every problem and the limitations of the human mind, men have been compelled to fall back upon the method of trial and of experiment, preserving those methods that turn out well and rejecting those that turn out badly. No mechanical genius was ever capable of making, in the first experiment, a satisfactory gasoline engine. Thousands of experiments were necessary before anyone ever made an engine that worked even tolerably well. No breeder of animals or plants ever knew enough about the forces of heredity to be able to predict in advance just what the results of a given breeding experiment would be. He has had to try numberless experiments in order to produce a plant or animal after his own ideals. Not only in mechanics, but in animal and plant breeding,

the most creative minds have been the most indefatigable experimenters.

The world has been a great sociological experiment. Thousands of experiments have been tried with all sorts of social plans, institutions, and systems. Up to the present time, the one under which we are now living has produced somewhat better results or, to put it mildly, has worked a little less badly than any other. A mechanical engineer or a plant breeder would, under similar circumstances, select it for further experimentation and improvement rather than scrap it altogether and start with something that was entirely new and untried.

With these facts staring them in the face, however, there has been no lack of men who are willing to assume their own ability to perform the vastly difficult task of designing a new and perfect social system. A wiser, as well as a more modest, policy would seem to be to study the existing system, find out (so far as human intelligence can) wherein it is succeeding and wherein it is failing, and proceed in accordance with the technology of reform, as outlined in the latter part of Chapter I, to correct the specific difficulties in so far as we can.

It is useless to hope for the ultimate elimination of all conflict of human interests. Wherever there is scarcity there is a conflict of interests. Changing the social order would not affect this one way or the other. The mere adoption of compulsory cooperation in the form of some sort of communism or socialism would not affect this one way or the other. The fact that compulsion was necessary would itself show that human interests were not com-



"Men early discover the advantage of team-work and specialization. Through organization and specialization both migration and work can be carried on much more successfully than without organization."

pletely harmonious. Neither are they completely antagonistic. Every possible human relationship has in it elements of harmony as well as elements of conflict[1]. It would be difficult to find two neighbors anywhere who did not have some interests in common though having at the same time some conflicting interests. It would be impossible to find a husband and wife or a parent and child who did not have some interests in common, and if one looked diligently enough he would probably find that in most cases there are some interests that come in conflict. Whether they live in peace and harmony or in a state of enmity will depend largely upon which group of interests they permit themselves to think about most of the time. If they permit themselves to think, most of the time, about the satisfactions that income will produce, they are very likely to discover that there is a conflict of interests. The husband may discover that he could spend a lot more on himself if his wife did not spend so much on herself, and *vice versa*. In short, as consumers their interests are very likely to come in conflict in more ways than one. If, however, instead of thinking primarily about the satisfactions that may be had from the spending of money, they think of the common enterprise of family building in which one needs the other and neither can accomplish much without the other, they are likely to discover that they have very large interests in common.

The same principle applies to every possible relationship. The producer, for example, needs the consumer, the em-

[1] See Carver and Hall, *Human Relations* (D. C. Heath & Company, 1923), chap. xvii.

ployer the employee, and *vice versa.* And yet, even in these relationships, there are conflicts of interests and causes of irritation. When producers and consumers are dickering over prices, the conflict of interests is apparent and may loom large in their minds. If they forget everything else, there may be class war and each may try to destroy or injure the other; and yet in a larger sense they have so many interests in common that each one injures himself in proportion as he injures the other.

Every institution is a mixture of good and evil. The evil is the price we have to pay for the good. We may resent having to pay the price, but there is no way out of it in this world or any other, so far as we know. Many of us do not like to work—at least beyond a certain point where fatigue and other disagreeable things enter in. Nevertheless, we desire the things that may be had by work. Work is the penalty we have to pay for these good things. We shall do well to content ourselves with the effort to reduce the penalty and increase the reward rather than with the attempt to avoid work altogether. The same principle must apply to our attitude toward all our institutions. If we focus our attention upon the penalties and forget the rewards, we shall, of course, arrive at very pessimistic conclusions. We should all be optimists if we focused our attention upon the rewards rather than upon the penalties.

Marriage, for example, sometimes results in the subjection of women and children, and there is probably some basis for the cartoons and caricatures of the henpecked husband. And in many other cases the relationship

of marriage requires a kind of behavior or discipline which some wild and undisciplined natures find irksome. The divorce rate indicates that considerable numbers find or think they find the penalty excessive. One could even frame a strong indictment against the art of printing by refusing to mention any of the good things that have come with it and by emphasizing or exaggerating such things as the yellow journal or the erotic novel.

THE INSTITUTION OF PROPERTY

The institution called property must be subjected to the same process of evaluation. There are many abuses connected with it—many penalties we have to pay for it. Many a man who would otherwise be useful is enabled to go to waste because he can live on inherited wealth or wealth which he succeeded in storing up during the first half of his productive life. When he decides to waste a portion of his potentially productive life in merely registering pleasurable sensations through the consumption of wealth, he allows himself to go to waste. He is a cumberer of the ground—a barren fig tree—and the sooner he emigrates to some other world the better off this world will be. It will at least save his victuals and lose nothing to balance this saving. Nevertheless, in spite of all the wastes and costs of the institution of property, it is rather noticeable that there are more necessaries of life for everyone, more people are supported and supported more abundantly, where property is recognized and protected than where it is not.

A somewhat clearer illustration, perhaps, can be found in the case of our patent and copyright laws. These are monopolies. They give the inventor of a mechanical device or the writer of a book the power to control its sale. This may deprive numerous people of a utility that they would very much like to have. When we look at it from that point of view alone, we should undoubtedly say that all patent and copyright laws should be abolished. On the other hand, it seems that there are more inventions in use and more books written and read where inventors and authors are given a temporary monopolistic control than where they are not, so that even from the standpoint of the readers of books and the users of the products of invention, more utility is available where this form of monopoly is created than where it is not.

The institution of property is sometimes spoken of by its enemies as though it were some piece of social mechanism invented, manufactured, and forced upon an unwilling people. As a matter of fact, it is nothing of the kind. It is merely the privilege conferred upon the maker or the first discoverer of a thing to call it his own or to enjoy a certain prior claim to it over and above that of other persons. In fact, all that is necessary to create an institution of property (though it would be a very simple and crude one) would be the suppression of violence. Wherever violence is repressed, the maker of a thing or the first discoverer of it cannot, of course, be dispossessed by violence. If he cannot be dispossessed by violence, he can enjoy its use until he gives it up voluntarily to someone else. If he gives it up voluntarily to another person, that

other person cannot be dispossessed by violence and he, in turn, can enjoy it until he gives it up voluntarily to a third person, and so on, indefinitely. Property would exist, not in all respects as it now exists, but it would exist nevertheless, if the government did nothing in the world except to suppress violence. Of course, the definition of property in its multifarious forms, and the determination of what constitutes the first discovery, the first manufacture, valid possession, valid transfer, and so forth, raise a host of minor questions which will keep many generations of lawyers busy.

Many of these definitions may be changed, but so long as the basic fact remains that the maker of a thing or the first discoverer of it cannot be dispossessed without his consent, we shall have an institution of property. When he is permitted voluntarily to transfer it to someone else and that person is also protected against dispossession without his consent, we shall have the process of exchange. Property, in other words, automatically exists in one form or another wherever violence is absent. Nothing can destroy it but violence. The violence that destroys it may be exercised either by private individuals in the form of banditry, robbery, and the like, or by the power of government. In order that the government may destroy property, it must dispossess the maker or the discoverer of a thing without his consent.

We may summarize this part of the discussion by the statement that the privilege of owning what one has made and of exchanging it with someone else for what one would like to have is about all that is really essential to

the institution of property. This appeals to the best that is in human nature, namely, the desire to produce or to create. It probably explains why so much more is produced where this privilege is recognized than where it is not, and why, in consequence, more people can be supplied with products than where this privilege is not granted.

IS COMPETITION AN EVIL?

One great source of difficulty in the proper appraisal of our present economic system is the open assumption in many cases, and the tacit assumption in others, that what is one man's meat is another man's poison, or more specifically, that everything that works to the advantage of one man must necessarily work to the disadvantage of someone else, that competition is wholly a matter of conflict with no elements of harmony in it, that wherever one man makes a dollar somebody else must of necessity lose that dollar, and so on and so on. If this assumption were true, some very discouraging deductions would follow from it with irresistible logic. But, of course, the more logically one reasons from false premises the further he goes astray in his conclusions.

A good illustration of this method of reasoning was contained in a letter received recently by one of the authors in which the following proposition was stated as though it were almost self-evident: "If Mr. Henry Ford should live for another hundred years and should continue making money as rapidly as he has during the last twenty-five years, he would own the whole world and the

rest of us would all be in the poorhouse." If it were true that every time he made a dollar, the rest of the world was a dollar poorer, that conclusion would probably follow. At any rate, it would only be a question of time when he would own the whole world or at least divide it with a few others of about his own efficiency in acquiring money from other people. If, however, we start with another assumption, namely, that every time Mr. Ford makes a dollar he makes the rest of the world ten dollars richer, a diametrically opposite conclusion would follow. If, on this assumption, he or his company continues for another hundred years making money at the same rate as during the last twenty-five years, the rest of us would be many times richer than we are now and fewer would be in the poorhouse.

The question of the future of our economic system really turns on the question, Which of the two assumptions is more nearly correct? If it is generally true that everyone who adds a dollar to his wealth subtracts a dollar from the wealth of the rest of the world, the outlook is indeed hopeless. In fact, if that were true, the vast number of great and moderate fortunes already made in this country should have made most of us exceedingly poor. The fact that we are not (at least as compared with other countries where not so many great fortunes have been made) casts some doubt on the validity of the primary assumption. On the other hand, it is only fair to state that if every private fortune had been made in ways that added to the riches of the rest of the country, the rest of us ought to be richer even than we now are. Ob-

servation as well as logic seems to lead to the conclusion that in many cases private fortunes are built up in ways that tend to enrich the rest of the country, and in many other cases they are built up in ways that tend to impoverish the rest of the country.

If we are once convinced of this, then the work of reform is fairly well determined. Instead of attacking the whole system or attacking those who have earned their fortunes by creating more wealth for the rest of us than they have absorbed themselves, along with those who acquire wealth at the expense of the rest of us, it is evident that we should discriminate between different methods of acquiring wealth in order that we may suppress those methods by which unearned wealth is accumulated and protect those by which wealth is earned. If we can succeed in repressing those methods by which unearned wealth is acquired, we shall at least have made a good beginning. Under the conditions thus created, the more wealth anyone acquires, the richer he will make the rest of us. We need not then worry about the size of any man's fortune. To resent his fortune or to be jealous because he is richer than the rest of us would merely be an example of a very widespread but very vicious tendency of vice to resent virtue, of the worthless to hate the worthy, of the unproductive to show covetousness toward the productive. A system thus created would still leave us the competitive system, the institution of private property, freedom of contract, and a number of other things which contain a mixture of good and evil, but from which a great deal of the evil had been extracted.

Competition is a perennial subject of controversy. It is sometimes asserted that the very idea is contrary to the whole spirit of ethics and religion as expressed in the Golden Rule; but a great deal depends upon the kind of person you are. If you are the kind of person who, in a game of croquet, would desire your opponent to play poorly in order that you might have an easy chance to win, then, in the strict spirit of the Golden Rule, you should yourself play poorly in order to give him an easy chance to win. If, on the other hand, you are the kind of person who would desire your opponent to play his best, to put you on your mettle and thus compel you to play your best, then an equally strict application of the Golden Rule would compel you to play your best to put him on his mettle and force him to play his best. Similarly, in economic competition, if you are the kind of person who would desire your competitors to mismanage their business or to loaf on their jobs in order to give you an easy chance to win, of course the Golden Rule would require you either to mismanage your business or to dawdle along in order to give your competitors an easy chance to succeed; but if, on the contrary, you are the kind of person who would desire in business, as in an athletic game, that your competitors should do their level best to win and to put you on your mettle and compel you to do your level best, then I submit that the Golden Rule would require you to do the same to them. It will require you to do your level best to win and to put your competitors on their mettle and compel them to do their very best, in order to stay in the game.

PROFIT

Jealousy of individual success is not the only form of covetousness or resentment. Jealousy of national success is also a powerful agent in the world, and under its influence jealous nations can invent all sorts of unworthy reasons to explain the prosperity of other more successful rivals. An English writer[1] has recently predicted that future historians will explain in the following language the slowness with which European people are recovering from the effects of the World War: "Instead of putting all their energies into producing the things needful for civilization and repairing a ruined world, they used up the best part of those energies in trying to prevent each other from making a profit."

The independent business man who undertakes to run a business and pay its expenses out of its receipts stands a greater chance of loss than any of his coworkers. Wages must be paid whether there is anything left for the business man or not; raw materials and repairs claim another share. If he borrows capital, interest must also be paid before there are any profits or dividends. The statistics of failure are simply appalling and should convince the most skeptical of the hazards of business.

What inducement has a man to go into business and run all these risks? The hope of a profit. If that is taken away, no new businesses will be started, and industry will not expand, unemployment will increase, and earnings decrease.

[1] See J. St. Loe Strachey, *Economics of the Hour*, New York and London, G. P. Putnam's Sons, 1923.

It is a very primitive notion that one must lose what the other gains in every transaction. In every sound business transaction, both gain. The general willingness to accept this as a fact and to act on it is one of the greatest factors in national prosperity. No country can possibly prosper where this fact is not recognized. No country can help prospering, unless overwhelmed by a war or a physical disaster, where this is generally accepted.

THE UNITED STATES AS OBJECT LESSON

One of the greatest economic puzzles in the world today is the amazing prosperity of the people of the United States. To some it is unbelievable that such prosperity can exist in a world where there is so much general unemployment and poverty. In an earlier and more credulous age, resentment toward such success would express itself in the proposition that we must be in league with the devil. The present age has to find a substitute for the devil, and those who resent our prosperity are likely to ascribe it to some other form of necromancy. The enlightened economic world, however, realizes that prosperity is sometimes earned; that one man may grow rich, not through the impoverishment but through the enrichment of his fellow men, and that a nation may prosper, not by subtracting from but by adding to the wealth of other nations.

A somewhat less extreme but equally mistaken formula for our prosperity is that we are pursuing materialistic ideals and losing our souls in the process. Materialistic

ideals, however, seldom bring such prosperity as this. A somewhat sounder thesis would be that we are prospering precisely because our ideals are not materialistic, that all these things are being added unto us because we are seeking first the sound principles of justice and the sound ideals of individual behavior which are of the very essence of the Kingdom of God, and that no nation could help prospering if it pursued these principles and ideals wholeheartedly.

HANDICAPS REMOVED

Whatever our purposes as individuals may be, one of our great national purposes has been to give every man a fair chance, to free him from all handicaps, and to provide for everyone an open road to talent. This in itself results in a great release of human energy. When "the powers that be" serve notice upon every individual that his success in any field of useful endeavor is limited only by his own ability, industry, and wisdom, that if he possesses these three qualities in high degree and exercises them strenuously, whatever his origin or antecedents, he may rise to the highest positions in government, business, or social life, and that he may fall to the lowest depths if he wastes these talents—this in itself is the most powerful system of motivation the world has ever discovered. It makes kinetic the latent energy of the people and directs that energy into productive channels. With our democratic ideals we have gone a little further than any other country has yet gone in this direction, and that is one of the powerful factors in the creation of our amazing prosperity.

Not only have we succeeded better than other countries in removing political and social handicaps from individual effort; we have done something rather positive in providing opportunities for self-development in the form of a system of popular and universal education. We have not done much at public expense to enable people to live without work. There is this important difference between an educational system and a system of unemployment doles or soup houses: You cannot profit by an educational system unless you work hard, but soup houses are a means whereby you can profit without working at all. The one stimulates and releases human energy; the other permits it to remain latent and unproductive. In this respect they are at opposite poles. Our general policy is designed to stimulate productive action, to appeal to the spirit of strenuosity rather than to appeal to the desire for sensual indulgence. Ours is a spiritual appeal rather than a materialistic appeal.

By placing within the reach of everyone who grows up in this country opportunities for self-discipline and self-development, we have tended to increase the productive power of each individual, to make him more energetic, and to direct his energy into serviceable channels. When an individual, for any reason, remains in or crowds into an occupation that is already overmanned, he is not worth much to the country. Anything which enables him to avoid an occupation where the individual is not worth much and to enter an occupation where he is worth more adds not only to his prosperity but makes him a more productive citizen, and he therefore adds more to the pros-

perity of the whole nation while achieving a greater prosperity for himself.

PRODUCTIVE ACHIEVEMENT APPROVED

More important even than freedom in combination with opportunities for self-development is that ideal which, though not universal, is the dominant ideal in American life, namely, that productive achievement is more desirable than passive consumption. If our ideals were really materialistic, we should care more for a full belly or luxurious consumption than for opportunities for strenuous activity or productive achievement. A people whose ideals are of the former sort can never enjoy a prosperity equal to that of those whose ideals are of the latter sort. In other words, they who follow the pig-trough philosophy of life can never enjoy the prosperity of those who follow the work-bench philosophy of life. Any population in which the pig-trough philosophy of life dominates will possess the manners and morals of the pig trough. Any population which is dominated by the work-bench philosophy of life will have a superior system of morals and manners. By seeking first the release of human energy and by directing that energy into serviceable channels, all desirable material goods come as a matter of course.

From this point of view, even the active criminal is superior to the passive glutton; his life is at least a life of achievement and not a life of passive registration of pleasurable sensations, though of course it need not be

said that constructive achievement is vastly to be preferred to the destructive achievement of the criminal. Even in his case, however, we have achieved the release of human energy. It remains to redirect that energy out of harmful and into serviceable channels. It is of the utmost importance that we should redirect the strenuosity of the criminal and turn it into productive channels, but we may at least thank our stars that our people are more inclined to turn criminal than to retire from business and "enjoy life," as some of our foreign critics think the American people ought to do.

GREAT BECAUSE USEFUL

The redirection of human energy into serviceable channels is of equal importance with its release. The greatest of all teachers laid down the simple rule, "He that would be great among you, let him be your servant." Like every great and simple rule, this is constantly perverted. Some have interpreted it to mean that the desire for greatness was to be penalized by inflicting servitude as a punishment. A much more constructive interpretation is something like this: He who has an ambition to be great or successful in any field of human endeavor is not to be repressed but encouraged, but the condition of his success must be clearly stated; he must earn his greatness or success by doing something useful, which is to be a servant. I submit, without fear of successful contradiction, that any society that can make this rule and get it generally adopted will necessarily be prosperous. Let it approve as

heartily as did the Founder of Christianity the desire for greatness or success. Let it encourage everyone to try to be as successful as he can, but let it lay down the one simple condition that he must earn his success by doing something useful. Then the more intense the desire for success becomes, the more intensely will every individual strive to do useful things. When everybody is strenuously and intelligently trying to do useful things, everybody is prosperous. When everybody goes about doing good, a vast amount of good is done. But doing good means doing a great variety of things, not only teaching and healing, but growing corn and hogs, making shoes and pictures, and so on. That is as simple and incontrovertible as the multiplication table. When every ounce of human energy is devoted to something useful, there will be a vast amount of usefulness, or a vast quantity of useful things. Here we have the very cornerstone of all national prosperity. It will take a person of a good deal of nerve to assert that He who laid down this simple rule was encouraging the pursuit of material aims. He was laying the cornerstone of the Kingdom of God, and in the statement that if this is earnestly sought, all other things come as a matter of course, he was stating what comes very close to being a self-evident truth.

But in order to do good it is not necessary that one should be moved exclusively by benevolent motives. It is only necessary that he should be willing to give good service or good measure in return for what he gets. A certain amount of preference for self and those who are near to one's self is quite compatible with this standard.

This is recognized in the rule already quoted: "He that would be great among you, let him be your servant." The desire to be great or successful is a somewhat self-centered desire; it implies a reasonable amount of ambition, of striving for personal success. It does not insist upon the desire to serve to the exclusion of all other desires. It merely requires the willingness to serve as the condition of satisfying the desire for success, the willingness to stake one's success upon one's ability to contribute to the success of others. Wherever this general willingness exists, you have all the conditions for a great and successful society. Where it does not exist, there is only failure.

Moreover, this rule embodies the only sound ideal of justice that has ever been enunciated. Some mistake charity for justice, and this leads to much muddy thinking. Charity has its place in the world; so has justice, but they are not to be confused. If we are thinking of justice, we shall find that this rule sets forth the highest ideal that has ever been put into words.

It is the gospel of strength. It appeals to the best that is in people. There is nothing in it of the cult of incompetence and self-pity. It appeals to all the constructive elements in human nature and not to the weak or vicious elements. It makes human nature dynamic, which is the highest form of spirituality. That type of religion which teaches a passive indulgence in mere religious feeling is at best only a form of spiritual self-indulgence which is not much better than physical self-indulgence. To enjoy religion without regard to action or achievement is little better than merely to enjoy anything else for its own sake,

without regard to its function in life, which is perversion; it is a kind of spiritual masturbation.

WEALTH NOT CONSUMED IN LEISURE

That our ideals in this country are not materialistic is evidenced by a number of other facts; among these may be mentioned the fact that our great men do not retire from activity in order to consume what they have previously accumulated. That was the mistake made by a certain man who, having built his barns larger and filled them, decided to retire from business and take his ease—to "eat, drink and be merry" for the rest of his life. That, it will be remembered, was where he lost his soul.

Suppose, for example, that every really great surgeon whose earnings were very large should retire from active work as soon as he was financially able to do so. The greater the surgeon, the earlier he would be able to retire from business. The earlier he retired, the greater would be the social loss because the greater number of his really productive years would go to waste. Only the inferior surgeons who could never accumulate enough on which to retire would remain active, and the world would have much poorer surgery than it now has. Or suppose that every great captain of industry should retire from business as soon as he were financially able to do so. The greater his ability, the sooner he would retire. This would leave industry under the management of second- and third-rate men who would be unable to retire. When industry is under the management of second- and third-rate men, we

shall have only second- and third-rate industries. Second- and third-rate industries are industries that are poorly managed, in which the product per worker is low, and when the product per worker is low, wages must of physical necessity also be low. It is only where we have first-rate industries, managed by first-rate men, that the product per worker is high enough to make it possible to pay high wages. Show me any country in which it is the general practice for every capable industrial leader to retire as soon as he can, and I will, without the slightest doubt or hesitation, show you a country that does not now and never can pay high wages to its workers. That is as simple and indubitable as the multiplication table. Because in this country we have, to some considerable degree, cherished the ideal of action rather than of consumption, we have managed to keep first-rate men active in various lines of business as well as in the learned professions, and this, more than anything else, explains why we are able to pay the high wages we do.

ACCUMULATED WEALTH EXPENDED ON PRODUCTION

Again, as to our supposed greed for dollars: that is also a mistake, as evidenced by the attitude of the typical American toward his dollars after he has accumulated them. He shows how little he cares for them either by wasting them (if he is a waster) or by putting them to some constructive work, if he is of a constructive mind. I grant that we are poor consumers. We have never devoted much attention to the art of graceful consumption

or elegant leisure, and it is to be hoped that we never shall. When rich men turn their chief attention to such things rather than to constructive enterprise, constructive enterprises lag, the product per worker falls, and wages must necessarily fall. When capable men forget about consumption, or regard it mainly as a means of maintaining and renewing their energies, devoting these energies to constructive work, industry advances rapidly. Legitimate or necessary wants are abundantly supplied; even simple luxuries abound for the masses rather than for the few that are rich.

One of the most striking things about our rich men in this country, especially those who have grown rich in our generation, is that most of them have grown rich not by catering to the nobility, not by government concessions, not by monopolizing the necessaries of life, but by producing cheap luxuries for masses of people. Conspicuous fortunes are made in chewing gum, soft drinks, safety razors, moderate-priced cameras, moving pictures, and low-priced automobiles. This is not because our great enterprisers have been philanthropically minded, but because, under the normal working of our institutions and our ideals, the great reservoirs of purchasing power are in the pockets of the masses rather than in those of the rich few. This has proved to be a greater field for productive enterprise—to try to tap the great reservoir of purchasing power that is found in the pockets of the masses —than to cater to the rich and fastidious.

This is a principle that grows by what it feeds on. The more we cherish the ideal of a fair chance for all, and the

more strenuous our capable men become, the more money there will be in the pockets of the masses. The more money there is in the pockets of the masses, the more this, in turn, stimulates capable men to further activity in the same direction. It is a sort of circle, but by no means a vicious circle. It promises better and better things for the future.

If the individual who has accumulated a fund of wealth is not a waster, he is pretty certain to reinvest it rather than to sit down and consume it. He may reinvest it in his own business, if he concludes that that business will stand expansion, or in some other business, if he thinks that will stand expansion still more, but in a great number of cases also he reinvests it in opportunities for self-development on the part of the masses of the people. Our rich men are not much given to that form of philanthropy which provides people with the means of living without work. They are more given to providing opportunities for self-development which require the individual to work hard if he expects to get any benefit from them. His appeal is to the free spirit of man that desires action rather than to the animal nature that desires a full belly and repose. That is why they endow libraries and educational institutions rather than almshouses.

ENCOURAGEMENT OF SOBRIETY

There has been a more active and prolonged promotion of sobriety in this country than in any other country in the north temperate zone. We may disagree as to the wis-

dom of this or that method of promoting sobriety, but there is very little difference of opinion as to the effect of drunkenness on individual and national prosperity. In our interlocking civilization, with its minute specialization, we are becoming more and more dependent upon one another. This raises dependability to the rank of one of the primary virtues. Whatever destroys dependability destroys one of the very foundations of national prosperity.

Again, there cannot be much difference of opinion as to the efforts that have been made in this country, from the days of Benjamin Rush and Benjamin Franklin down to the days of Andrew Volstead and Wayne B. Wheeler, to fight drunkenness. The only possible disagreement is as to the wisdom of the methods used, or the success attained. However, I will undertake to show the doubter more drunken men and women in one hour at certain spots in London, Edinburgh, or Glasgow than he can show me in an equal period in any city in the United States.

Now the pursuit of sobriety can hardly be called a pursuit of materialistic gains, nor can devotion to alcoholic drinks be called devotion to spiritual ideals. I, at least, do not want any person whose body smells of the evidences of animal indulgence to preach to me about devotion to the higher things of life.

The fight against alcoholism is the only great reform of the present day that is carried on by people who have nothing personal to gain from it. The only people who should, from their own personal standpoint, be interested

in it, that is, those who are addicted to drink, are almost unanimously fighting on the side of drink rather than against it. Nothing except a general interest in the public good is adequately motivating the fight against drink. This is not exactly a materialistic end or aim.

THE GOAL NOT YET REACHED

Now I do not mean to imply that we have gone a great way in any of these directions. There is a long road ahead of us yet before we reach the goal of economic progress. The point is that we have gone a little way—perhaps a very little way—further in these directions than other countries. But a very little difference of this kind makes a vast difference in the economic results achieved. The possibilities ahead are almost infinite if we remember that prosperity, like happiness, comes not from seeking it directly, but comes as a by-product of the pursuit of sound ideals.

Of course, the principles of economics are universal. No country can monopolize any of them. But while this is true, only a fool would imagine that one country could not lead others in the application of these principles to its own problems. Whenever any other country begins to lead us in the pursuit of sound ideals, it will also lead us in prosperity, but its increasing prosperity will not impoverish us. It will tend to enrich us, if we continue to cultivate the productive virtues among ourselves. It could impoverish us only if we developed a rancorous spirit, instead of being stimulated by its example, and

began to lie down on the job and expect the other country to divide its prosperity with us.

HOW LONG WILL PROSPERITY LAST?

How long will our amazing prosperity last? To some it seems so unexplainable as to be abnormal. No one can say exactly how long it will last. It is safe to say, however, that it will last as long as we succeed in releasing human energy and applying it to useful purposes, as long as men of high capacity in large numbers concentrate their energy on industrial problems, refusing to be bribed into inaction by their own riches, preferring rather to reinvest their accumulating riches in productive industries, as long as we continue to thin out the workers in the overcrowded occupations by enabling them to enter those in which workers are scarce and much needed, as long as we prevent the congestion of manual trades by wholesale importations of cheap labor, and as long as we continue to reduce the sum total of incapacity from drunkenness.

THE PRINCIPLES OF SOCIAL JUSTICE

Let everyone prosper in exact proportion as he contributes to the prosperity of others.

Let everyone be given the best possible opportunity to acquire the ability to contribute to the prosperity of others.

These two principles taken together give us a working program of social justice that will insure the prosperity of

any country and the wide diffusion of that prosperity. The country that succeeds in realizing this concept of the Kingdom of God will find all these other things enumerated by Mr. White in the paragraph quoted at the beginning of this chapter—"needs, comforts, luxuries, houses, clothes, food, fuel, motor cars, radio sets, telephones, tooth paste, floor coverings, electric household machines, labor-saving farm tools, cement highways, tall buildings, public halls, dry goods, and fancy groceries"—added unto it. If, forgetting these great principles of justice, it seeks these material things first, it will not succeed in getting them.

It ought to be clear that the pursuit of these great principles of justice is not the pursuit of a materialistic ideal. If material things come as a matter of course, it is not necessary that we forget the great ideals we were seeking and focus our attention on some of the material results. I submit that this is a sufficient defense against the charge that this economic world of ours is based on materialism.

If an individual wants material things, his best chance of getting them is to fit himself into a great society that is pursuing these ideals of justice. Only in such a society do such things abound. On the other hand, the existence of such a society with its abundance of material things does not compel one to care for such things; in fact, it is just as easy to assume the vow of poverty and live up to it in this present so-called capitalistic age as it ever was in the so-called ages of faith. It is necessary only that he shall regard his wealth only as capital—that is, tools—rather than as a means of self-gratification.

PRODUCTIVE PHILANTHROPY

In the past, the man who took the vow of poverty was supposed to dedicate his life to contemplation or to philanthropic service. Material wealth was thought to be primarily a means of self-gratification or of ministering to the flesh. To take the vow of poverty then meant to possess no material wealth.

The concept of material wealth has broadened in recent times. It is no longer thought to be simply a means of self-gratification except by a few primitive minds who have not grasped the larger idea. Wealth is as truly a means of service as the strength of one's muscles or the capacity of one's intellect. The mechanical inventor has helped to make wealth into a mass of tools rather than into a mass of consumers' goods. One who thinks of his wealth as a collection of tools rather than as a mass of consumers' goods may as easily dedicate his wealth as his mind or muscles to service. He may assume the vow of poverty and live up to it as rigidly as Saint Francis of Assisi himself and yet own millions of dollars worth of tools. In other words, he may be a great capitalist; for capital is tools. If he lives frugally, works hard, and devotes all his powers, muscular, mental and financial, to service, he will fulfil, in the strictest sense, the vow of poverty.

In order that one may dedicate his wealth to service, it is not necessary that he give it away in charity. In fact, giving it away is probably one of the poorest ways of dedicating wealth to service. It is probably much better,

if one has the necessary wisdom, to invest one's wealth in productive industries than to give it in charity; but it requires unusual wisdom and skill to invest wealth productively. If you have $1,000 which you wish to give to the poor, it is very easy to give it away and expect nothing in return. If you do so, that is the end of the $1,000 so far as you are concerned. If, instead of giving it to the poor in charity you are wise enough to hire them to produce something, the $1,000 will do them just as much good when you pay it to them in wages as it would if you gave it to them as charity. If you are wise and skillful in hiring them, you will have the advantage of having another $1,000 when you sell the product to replace the $1,000 you paid out. This puts into your hands the power to turn your $1,000 over and over again and to give continuous employment, which is very much better than giving a lump sum and letting that be the end of it. However, it takes a very capable man to do this.

It takes a still more capable man to direct his laborers so efficiently that for every $1,000 he pays them as wages he gets $2,000 from the sale of the product. Such a man is even more of a benefactor than the other because he now has $2,000 with which he can pay wages, enlarge his plant, or increase his scale of production. Having taken the vow of poverty, he still consumes frugally and works hard; but he accumulates more and more tools with which to enlarge his power of service.

The more such men there are in any country, the more large and efficient factories there will be, the more employment there will be for labor, and the higher the

wages, the less the unemployment and poverty. In fact, this is the only real and fundamental cure for unemployment and poverty that is known to the modern world. One man who knows actually how to employ laborers and pay them wages does more for labor than 10,000 talkers about the problem of unemployment. The principal reason why we have so little unemployment and poverty in the United States is that we have so many men of the former kind. The principal reason why they have so much unemployment and poverty in old and aristocratic countries is that they have so few men of that kind. They have too many talkers and not enough doers.

IS THE PRESENT SYSTEM SOMEHOW GOOD?

Is our present economic system, then, "somehow good"? Its critics show that it has not attained perfection. It still imposes the penalty of labor. The institution of property is still abused. Competition still calls for skill and effort. Profit is still the aim and reward of enterprise.

But the good of an economic system is determined by facts, not by theories. The economic welfare of the United States is an object lesson of facts. It shows that labor need not be degrading, that property is not necessarily selfish, that competition may be cooperative in achieving widespread well-being, that profit as the reward of enterprise may be turned to desirable social uses.

The great principles of social justice which here determine the successful use of our economic system also deter-

mine its promise for the future. For all that it will forever fall short of perfection, it has always possibilities of progress. And practically, a system that has been shown to have such possibilities promises more for the future than any that is mainly theoretical and untried.

At the very least, a certain minimum of material things, that is, a minimum of fuel, of food, clothing and shelter, is not to be despised if we persist in living in a harsh climate. There is something to be said for an economic system that will ensure this minimum for all classes of people.

III

THE PRESENT STATE OF LIBERALISM

ECONOMIC principles, to the extent that they are discovered and understood, are expressed in economic institutions which, for the mode of their expression, are associated closely with social and political institutions. To forecast the course of economic progress it is therefore important to know the tendency of political and social thought, and particularly whether that tendency is chiefly guided by the principles of liberalism or those of coercive authority. What, then, is the present standing of liberalism in the world, and what is its importance to economic progress?

THE RECENT HISTORY OF LIBERALISM

Forty years ago, that is, in the eighties of the nineteenth century, liberalism seemed to be in the saddle in the western world. In English politics, the brains of the Conservative Party had been sterilized by putting Disraeli in pickle in the House of Lords. The party of Gladstone had absorbed most of the younger intellectuals, and it looked as if the enlightened liberalism of John Stuart Mill was about to crystallize into a permanent national policy. In France, political liberalism, never so

strong as in England, was a little delayed. It had been overwhelmed by the militancy of the Second Empire and the uproar of the stormy period of recovery; but after the defeat of Boulanger in 1889 and the general acceptance of the republic by the Church in 1892, it became the dominant note in French politics. Its champions were the moderate republicans who were opposed by monarchical authoritarians on the one side and radical authoritarians on the other, both extremes being willing to use the coercive power of government to achieve results which they prized more than liberty itself. Further east, except in Switzerland, liberalism never dominated either the thinking or the politics of any country. Coercion, or the exercise of authority, has been the chief reliance of all parties in that part of the world. Faith in the constructive power of the free spirit of man has never been noticeable in the policies of eastern governments.

In the United States, liberalism suffered the same relapse during and after the Civil War as in France during and after the war with Prussia. The reconstruction period was especially marred by the spirit of coercion. The power of government was evoked to accomplish things which, to a liberal mind, can be accomplished only by the slow process of education and the maturing of sound opinion and wholesome sentiment. The broad-minded liberalism of President Hayes was repudiated in favor of angry coercion by his own party, though he lived to see that party adopt every one of the policies which it repudiated during his administration. Liberal councils continued to be drowned out by appeals to sectional

feeling until the election of President Cleveland convinced the politicians that the Civil War was really a dead issue. It looked for a time as if the American form of political liberalism, commonly known as Jeffersonian Democracy, had again come into its own. Liberalism, in the Jeffersonian sense, meant more than free trade, protectionism being only one form, and by no means the most vicious form, of authoritarianism. Liberalism meant a general reliance upon men to look after themselves and upon voluntary agreement among free citizens wherever the joint action of large numbers of men was necessary to get a thing done.

From the days of Gladstone until the present moment, genuine liberalism in English politics has gradually dwindled. At the present time, that unhappy country is divided between conservative authoritarians on the one side and radical authoritarians on the other. Both sides are maneuvering to gain control of the coercive power of the state, intending to use it, not for the purpose of increasing the freedom of the individual, but to compel him to do what the authoritarian, radical or conservative as the case may be, wants him to do. Neither party seems to have much faith in the ability of the individual to act wisely in the ordinary affairs of life, but both appear to have a sufficiency of faith in their own ability to act wisely in wielding government authority. In short, liberalism seems to be dead in English politics.

In France, likewise, the undoubted drift is toward authoritarianism. No party of any importance is committed to a policy of reducing the sum total of coercion

over the individual. No party seems to believe that men are quite as wise and capable in managing their own affairs as they are in managing the affairs of other people through the agency of government. The general drift of opinion, among all parties, seems to be toward the conclusion that politics is an alembic wherein the cupidity and stupidity of masses of men are distilled into generosity, wisdom, and virtue. On what other theory could one maintain that men who cannot look after themselves when left alone can, through the government which they themselves control, look after themselves and others? The most extreme form of authoritarians, namely, the communists and the socialists, have an even stronger hold in France than in England. Among the more conservative authoritarians, protectionism and other forms of government interference seem to be assumed as a matter of course.

In the United States, the party of Jefferson has forgotten every Jeffersonian principle except free trade. Even its ardor for that policy is suddenly cooled whenever it touches an industry in which Democratic states are interested. In other respects the Democratic Party is even more authoritarian than the party of protection. Its legislative program involves even more interference with individual freedom than does that of the opposing party. By insisting, in the name of Jeffersonian Democracy, upon freedom of trade and then going in for a wholesale program of government regulation, it is simply engaging in the difficult enterprise of straining at a gnat and swallowing a camel. As for the Republican Party, the most that

can be said for it from the standpoint of liberalism is that it has never pretended to be a liberal party. It has frankly been the party of protectionism and the "big stick."

The more extreme forms of authoritarianism, such as socialism and communism, have always had their parties, but they have never polled such strength here as in France or even in England. Socialism and communism have never polled more than a negligible fraction even of the labor vote, while the less extreme forms of radicalism, as represented by the late Mr. La Follette, have never, since the obscuration of Mr. Bryan, amounted to more than an interesting political side show. No such disconcerting recrudescence of authoritarianism as the short-lived triumph of the British Labor Party has yet threatened the complete annihilation of liberalism in this country.

Few of our people realize how great was the danger of a relapse into extreme authoritarianism in England. Some were misled by the statements regarding the great wealth of the members of their Labor Cabinet. It is doubtful if we in the United States have ever had a cabinet that was possessed of as much average or aggregate wealth as was the group of men that surrounded Premier MacDonald and posed as leaders of a labor party.[1] Moreover, most of it was inherited wealth, the least defensible form. On the other hand, it seemed to many Englishmen quite revolutionary to have the son

[1] See article by Charles F. G. Masterman, "The Proletariat in Power," *Atlantic Monthly*, April, 1924.

of a laboring man elevated to the premiership. If we include farmers under laboring men, it has been quite the common thing in this country for the highest positions in government as well as in business to go to such persons. We merely take it as a matter of course, and it does not excite any comment. It is not the fact that a man rose from the ranks, however, nor the fact that he has become a man of wealth, that is important. It is the policy and program for which he stands that should count. The MacDonald program, as announced in his published works,[1] was extremely authoritarian.

MACDONALD, MUSSOLINI, AND LENIN

A just estimate of the significance of the rise of MacDonald can be gained only by comparing him with two of his contemporaries, Lenin and Mussolini. There are two bases on which such a comparison may be made, first, their political methods, and second, their economic policies. Their political methods are their means of getting power. Their economic policies are the uses they made or proposed to make of their power after they got it.

Few of us distinguish sharply enough between two very different things, namely the methods by which a leader gets power on the one hand, and, on the other, the way he uses his power after he gets it. When compared on the basis of the methods of getting power, there is not much to choose between Lenin and Mussolini.

[1] See J. Ramsey MacDonald, *Socialism,* London and Edinburgh, T. C. and E. C. Jack, 1907.

Both used the method of violence, which is wholly and unqualifiedly bad. J. Ramsay MacDonald and the labor party, however, came into power in a thoroughly constitutional manner, and no American could criticize them for that.

When compared on the basis of the uses made of the power which both obtained by equally unconstitutional methods, Lenin and Mussolini were at opposite poles. Lenin used his ill-gotten power foolishly and destructively, plunging a naturally rich country into the most excruciating poverty the modern world has ever seen. Mussolini, on the other hand, used his equally ill-gotten power in a thoroughly constructive and beneficent manner, lifting a country out of disorganization, unemployment, and poverty into a state of organization, employment, and prosperity. In spite of all that can be said against his political methods, that is, his methods of getting power, his economic policies, that is, his uses of power, made Italy for a time the one bright spot in Europe, the one country that was making definite and undeniable progress. If his political methods had been as sound as his economic policies, he would undoubtedly rank as the greatest statesman of his time.

It is impossible to state what the British Labor Party would have done with its power if it had retained it, or what it will do with that power if it regains it, but, if one might judge by what its leaders wrote and said before they came into power as to what they would do if they ever got power or (which means the same thing) what the government would do, one would have to class

them with Lenin rather than with Mussolini. With all their exquisitely constitutional methods of getting power, their economic policies were unsound and destructive and were calculated to plunge Great Britain into a morass of unsound and unworkable economic experiments not fundamentally different from those tried in Russia. These policies are embodied not only in the writings of J. Ramsay MacDonald but also in those of Sidney Webb, Arthur Henderson, Philip Snowden, and others. They belong to the common, cheap, garden variety of socialists, and their economic policies do not differ essentially from those of Lenin. If the Labor Party had succeeded in establishing these policies, they would have produced the same results in England as in Russia.

If one had to choose between a leader who achieves control of national affairs by constitutional methods and then uses that control to ruin the country, and one who achieves power by unconstitutional methods and then uses it to save the country and put it on the road to prosperity, it would be a hard choice. If MacDonald had done what his writings lead one to think that he would have done, it would have been hard to choose between Mussolini and MacDonald. Each was about half good and half bad. MacDonald's political methods were above criticism, but his economic policies were stupid. Mussolini's political methods were detestable, but his economic policies were intelligent and constructive. For Lenin, of course, there was nothing good to be said except that he was apparently sincere—terribly so—though ignorant of the first principles of economics. It would be interesting

to know how thoroughly he was disillusioned by the failure of his experiment and how far that disillusionment was the cause of his breakdown and death.

The best that could be said for MacDonald was that he did not even attempt to carry out his own socialistic theories. How far that statement reflects upon his sincerity may be open to question. It may merely mean that he knew perfectly well that the British public was not socialistic and would promptly oust him if he tried any socialistic antics. In that case, our hope for England was based upon our confidence in the good sense of the British people rather than in that of MacDonald or the leaders of the Labor Party. However, the statement may mean that responsibility sobered him. The man who talks in an irresponsible and unsober way until called upon to make good, and then suddenly becomes sober, does not show the highest type of sincerity.

BOLSHEVISM AND AUTHORITARIANISM

The more brutal forms of authoritarianism, such as Bolshevism, make no wide appeal except in those parts of the world where the masses are ignorant and besotted. Contrary to the Marxian predictions that capitalism would automatically develop into communism and that the most highly developed capitalistic countries would be the first to go over to communism, precisely the opposite is happening. Those countries where capitalism has had the highest development show the least interest in either communism or socialism, while those where capi-

talism has had the least development are the only ones where the Bolsheviki have made any headway. The reason seems to be twofold. The first is that capitalism cannot develop except in an atmosphere of intelligence and calculated self-interest. The basis of capitalism is thrift, and thrift means forethought, which is a form of intelligence. Intelligence and capitalism go together. The second reason is that where capitalism is not permitted a rational development, the masses are inevitably in a state of poverty and therefore discontented, or at least furnish material for the promoter of discontent.

It must be remembered, however, that there are vast populations that are still in such a state of ignorance and besottedness as to make them ready converts to Bolshevism. East and south of Warsaw, in the Old World, and south of the Rio Grande, in the New, are the fields for the propaganda of that phase of authoritarianism. The Bolsheviki have a fair chance of dominating that part of the world unless they incur the hostility of Islam. If there should be an alliance between Bolshevism and Islam, the western world may look for another struggle with the East like those at Chalons, at Tours, and at Vienna. When that struggle comes, it will be fortunate if Berlin sides with the West.

While the western world has not taken seriously the more savage forms of authoritarianism and while it has rejected, for the time at least, such expressions of the authoritarian spirit as the British Labor Party and the La Folettisti in the United States, yet there is nowhere in sight (in 1926) a strong and influential liberal party.

Perhaps it is too much to expect that any party should adhere to strict liberalism as a continuous policy. The exigencies of party politics and the need for placating groups of voters may make "middle of the road" liberalism impracticable. As a matter of fact, as will be argued at greater length in a later chapter, few men are capable of prizing liberty for its own sake.[1] The average man's conception of liberty is limited strictly to the things he wants to do. Not freedom, but freedom to do what they happened to want to do, was what men fought for. The man who wants to talk will fight for freedom of speech, though he may not care a fig for freedom to buy and sell or to do business. Men who want to buy foreign goods will work for freedom of trade but may not get at all excited over the censorship of the press. Newspaper men are strong for freedom of the press but may think it eminently proper that the movies should be censored. Men who want to drink alcoholic liquor resent interference with "human liberty" as they see it, but are quite tolerant toward the strict regulation of the sale of other narcotics. For much the same reason, sex freedom is demanded by people who do not seem to care whether anything else is free or not. In short, we are all for a *laissez faire* policy toward our own businesses, or toward the particular things that we want to do.[2]

For these reasons it is probably impossible to formu-

[1] Cf. Chapter V.

[2] For example, a study of the personnel of our chief radical groups shows that, as a whole, it is more interested in speech than in action. In short, it is strictly a party of *laissez faire* so far as its own special interests are concerned.

late a liberal policy that will satisfy everybody, yet there ought to be no great difficulty in getting a general agreement among all lovers of liberty that the burden of proof, in each particular case, must be on the authoritarian. When a specific question arises whether a certain man shall be permitted to do a certain thing or not, the presumption should be in his favor unless positive reasons can be shown why his doing so should be forbidden by authority. Probably the great majority would accept this in the same sense in which they accept the proposition that every man shall be assumed to be innocent until he is proved to be guilty of wrong doing. But what constitutes valid reasons in the one case or valid proof in the other will always be open to dispute. When there is general distrust and suspicion, men are not likely to require as strong reasons for coercion or as strong proofs of guilt as when there is general confidence and understanding. Questions of this kind may continue to divide liberal parties unless the spirit of liberalism in its purer sense is strong enough to hold them together.

WHAT DOES LIBERALISM MEAN?

The fact is that the word "liberal" acquired its popularity when its meaning was clear. It was associated with the word "liberty" and meant the opposite of authoritarian or coercionist. Then certain authoritarians attempted the time-worn trick of coming forward and saying that the real liberals were, after all, not those who believed in liberty but those who believed in the beneficent

exercise of authority or coercion. In the older sense, of course, no two words could be more antithetical than the words "liberal" and "socialist"; unless they were the words "liberal" and "communist." And yet today we find socialists and communists trying to pose as liberals while demanding such extensions of authority as no one else would care to contemplate.

Even outside the ranks of extreme authoritarians, such as the socialists and communists, there is a tendency to misuse the term liberal. A case in point is the common tendency to use "liberal" and "conservative" as opposing terms. Now the word "liberal" is not opposed to the word "conservative" any more than to the word "radical." Radical and conservative are opposite and antithetical terms. A person of liberal views may as easily be a conservative as a radical. The word "liberal" is opposed to the word "authoritarian."

It may startle some persons to learn that conservative and conservationist mean fundamentally the same thing. The conservative and the conservationist are alike in the primary fact that they are both trying to conserve something; they are unlike in the secondary fact that they are trying to conserve different things. The conservationist wants to conserve certain physical resources, while the conservative wants to conserve certain political, social, economic, moral, or religious institutions or habits. The radical is the uprooter, the conservative the conserver. The anti-conservationist does not want physical resources conserved but wants a chance to uproot them or otherwise make away with them. In that sense he is an eradicator,

an uprooter, or a radical. If a person desires to conserve human liberty against the aggressions of government authority, he is both a conservative and a liberal—a conservative in the sense that he is trying to conserve something, and a liberal in that he is for liberty as against coercion. If he desires to uproot liberty by a drastic use of government authority, he is both an authoritarian and a radical, which is the opposite of a liberal. If, on the other hand, one desires to preserve and continue some customary exercise of authority, in that sense he is not only a conservative but an authoritarian and not in any sense a liberal. A person who desired to destroy some ancient phase of authoritarianism, such as an established church supported by forced contributions from unbelievers and believers alike, would be a radical and also a liberal. The supporter of such an ancient form of coercion would be both a conservative and an authoritarian. That is, he would be a conserver of authority.

Again, liberalism is not synonymous with democracy. A democratic organization, either in the field of religion, of education, or of politics, may be quite as illiberal as an autocratic organization. In the field of religion, for example, that is quite likely to be the case. A religious organization may be quite democratic in its organization and yet illiberal in its policies. Its democracy may be shown by the fact that every question, not only of church policy but also of doctrine, may be decided in the most thoroughly democratic manner by free discussion and popular vote. Its illiberalism may be shown by the fact that, however democratic its method of deciding questions may

be, it undertakes to coerce an unwilling minority into an acceptance of the opinions of the majority.

As a matter of observed fact, some of the most illiberal of our religious denominations are the most democratic, and some of the most liberal are the least democratic. An autocratic church that never submits anything to free discussion and a popular vote, but decides everything at the top and hands its decisions down to the membership, may at the same time be quite liberal. So long as the members are left free to accept the opinions thus handed down, or to reject them as they see fit, so long is that a liberal church, however undemocratic may be its form of organization. It may be true that, in the nature of things, an autocratic organization is, on the average and in the long run, more likely to be illiberal than a democratic organization; but it is not necessarily so in any individual case. The two terms democracy and liberalism are not synonymous, nor are the terms autocracy and authoritarianism.

Again, it should be pointed out that liberalism and heterodoxy are not identical in meaning. A very orthodox person may be very liberal at the same time. However narrowly orthodox a person may be, he is still a liberal if he is perfectly willing that everyone else shall believe and say whatever he pleases. It is only when the orthodox person tries to use some kind of authority to compel others to believe as he does or to refrain from teaching the opposite that he becomes illiberal. A heterodox person may likewise become illiberal if he attempts to use some kind of authority to destroy orthodoxy, or to coerce orthodox persons into giving up their orthodoxy. Both

the Soviet and the Mexican governments are heterodox enough to suit the most atheistic person in the world, but their use of power against the established church is authoritarian and not liberal. As a matter of observed fact, there is fully as large a percentage of authoritarians among the heterodox as among the orthodox religionists. Nearly everyone pretends to be opposed to the use of authority when he is in a minority and in no position to exercise authority himself—when, in other words, he is likely to have it used against himself. The real test comes when he is in the majority and in a position to use authority against those who disagree with or oppose him.

In the field of government the same distinction between democracy and liberalism is continually showing itself. Some of the most democratic governments are the most coercive. The most drastic kind of a prohibitory law may be adopted in the most thoroughly democratic manner, but no one could really maintain that the policy behind such a law was liberal rather than coercive. On the other hand, an extremely autocratic government may be extremely liberal. That is, it may make very few regulations and may enforce them in a very mild and reasonable way. There is probably no part of the world where the spirit of democracy is more rampant than in those southern states where the teaching of evolution in public schools is forbidden by law.[1] If there is any part of the world where the common man shows the minimum of respect for those in high positions of authority, or for those

[1] See E. J. Eberling, "A Social Interpretation: Tennessee," in *Social Forces*, September, 1926.

who regard themselves as especially wise and great, it is in those very states where liberty of teaching is most rigorously controlled by popular legislation. If there is any part of the world where it is commonly assumed that the common man, acting in the mass, is quite capable of deciding each and every question, it is in those same states; and yet no one could call such repressive legislation as the anti-evolution laws by the name liberal.

THE ECONOMIC IMPORTANCE OF LIBERALISM

It may help us to a proper understanding of some of the problems involved if we examine the word "liberal" from still another angle. It is too commonly assumed that a policy is approved by the simple artifice of calling it liberal. In other words, that name is assumed to be a title of respect rather than of disrespect. But there is no magic about the word "liberal" any more than there is about such words as "democratic" or "religious." A liberal policy may be either good or bad according to its results, and the same may be said of an illiberal, a democratic, an undemocratic, a religious, or a non-religious policy. It is futile, for example, to imagine that prohibitory laws are to be condemned by merely proving that they are illiberal, or commended by merely proving that they are democratic.

Let it be granted, for the sake of argument, that any extension of authority is in itself undesirable; that it involves an increase in tax eaters in the form of more and more government officials, and, what is of vastly greater

importance, that it involves a great deal of espionage and meddling by those officials to find out who is to be repressed and who is not, and that as the number of government officials increases they come to exercise more and more political power through their votes and those of their friends and followers, and finally, that the inevitable tendency of a large class of government officials is to magnify their own offices and seek more and more authority. All these undesirable things may still be regarded as necessary costs, or the prices we have to pay for certain desirable results. The only real question is, not is it costly, but will the benefit justify the cost, or is it worth the price?

From this point of view, a broadly intelligent attitude is not one that blindly opposes all exercise of authority. It is rather one that scrutinizes every proposed extension of authority, that recognizes that the exercise of authority by one man over another is a positively undesirable thing and compares this undesirable thing with any good that may reasonably be expected as a result. Even though the one who exercises authority has been elected to public office, it is unpleasant in itself for him to undertake to tell others what they may or may not do. However, this unpleasantness has to be endured in many specific cases because of a large benefit to be secured through the exercise of authority. Therefore, a wise person is one who carefully balances the costs or unpleasantnesses of authority against the utilities to be secured, and justifies authority only when the balance is, beyond all question, in favor of authority.

Even among wise and reasonable persons there must always be differences of opinion as to the balance of good and evil in such a case. The exercise of authority by one person over another is more irritating to certain temperaments than to others, and the cost of authority will therefore seem higher to some than to others. Similar differences of opinion will exist as to the good to be expected from any proposed extension of authority. While such differences must continue to exist, something is gained if we can all accept the proposition that every extension of authority is costly and is to be undertaken only when the good to be secured will clearly outweigh the cost. They who regard the freedom of the individual with positive disfavor, and therefore welcome the extension of authority as a good in itself, will never add clarity to the discussion of such problems, nor wisdom to their decision.

The simple truth is that three things must be achieved by any country that hopes to be prosperous. If they can be achieved by putting everyone under authority, as in an army, the country may prosper. If they can be achieved by leaving everyone to himself, the country may likewise prosper. If they can be achieved by regulating some things by government authority and leaving others unregulated, the country still can prosper.

In the broadest possible terms, these things may be stated as follows. First, the energies of the people must be released, must become active and not be wasted in mere sloth. Second, these energies must be directed toward productive rather than destructive ends. Third, they must be so wisely directed or economized as to promote

these productive ends most efficiently; that is, with the least waste of effort.

In simpler terms, if the people are active, if their activities are directed toward useful rather than useless or harmful ends, and if they direct their activities intelligently or economically toward those useful ends, they will prosper. Needless to say, any country that excels others in these three respects will prosper more than they.

Needless to say, also, all three of these things must be achieved, and not any one or two of them alone. Under a military organization, for example, the harmful activities of individuals may be effectively repressed, but that is not enough to secure prosperity if, in repressing all harmful activities, spontaneity and inventiveness are also repressed. Under extreme *laissez faire* conditions there may be a great deal of spontaneity and inventiveness, but if it shows itself merely in finding ways of getting the better of one another, there will not be much prosperity.

It was the sincere belief of the liberals of the older school that these three things were accomplished in largest measure where individuals were left reasonably free to direct their own activities. This did not mean, in any case, absolute freedom from legal restraint. It was the belief that if the cruder forms of destruction were repressed, such as crimes of violence and fraud, and if men were encouraged to make their arrangements with their fellows on the basis of voluntary agreement honestly entered into and honestly carried out, the maximum of productive activity would be secured, and the maximum

of productivity would be followed by the maximum of prosperity. Some of the more constructive among them also proposed other measures, such as popular education at public expense, in order that the productivity of every individual might be raised to the maximum, the direction of as much high talent as possible into industrial channels, in order that industry might be intelligently organized and directed, the elimination of all caste or feeling of disrespect toward business, in order that business might attract its fair share of the best talent of the country. There are strong reasons, both theoretical and empirical, for believing that they were right. Among the empirical reasons may be mentioned the general fact that those countries that now show the greatest prosperity are precisely the countries where these things were looked after and provided for.

The opponents of liberalism, however, have persistently misstated and misinterpreted the liberal position. The liberal is, for example, accused of basing his reasoning on a number of false assumptions, such as the assumption that every individual is reasonable and well enough informed to look after his own interests; again, that competition leads to the survival or the prosperity of those who are socially most desirable, or that wealth commonly goes to those who are most useful, or that market values and social values are identical.[1] None of these assumptions is necessary to the liberal position.

[1] Somewhat similar assumptions are put into the mouths of economists of the liberal school by Mr. Henry Clay in his *Economics for the General Reader*, chap. xxii.

THE MOVEMENT FROM STATUS TO CONTRACT

The concept of liberalism herein expounded is parallel if not identical with the most famous of modern definitions of legal and political progress, that of Sir Henry Maine, which is summed up in the statement that "the movement of all progressive societies has hitherto been a movement from status to contract.[1] In more expanded form it reads:

> There are few general propositions concerning the age to which we belong which seem at first sight likely to be received with readier concurrence than the assertion that the society of our day is mainly distinguished from that of preceding generations by the largeness of the sphere which is occupied in it by Contract. Some of the phenomena on which this proposition rests are among those most frequently singled out for notice, for comment, and for eulogy. Not many of us are so unobservant as not to perceive that in innumerable cases where the old law fixed a man's social position at his birth, modern law allows him to create it for himself by convention; and indeed several of the few exceptions which remain to this rule are constantly denounced with passionate indignation.[2]

Contract is, from an economic point of view, a phase of economic voluntarism. It is an instrument by means of which two or more men may voluntarily coordinate their efforts. It makes possible voluntary coordination on a large scale as well as on a small scale.

Under the older systems, large enterprises were carried out, as military enterprises are still carried out, by authority and obedience. The coordinating power was au-

[1] From *Ancient Law* (Pollock's edition, London, 1906), chap. v, p. 173. See also Sir Frederic Pollock's comments on chapter v.

[2] *Ibid.*, p. 319. See also pp. 170, 172, 321, 322, 326, 328, 349, 375, 376.

thority. Under authority, large numbers of men can be compelled to act according to a great plan, and their efforts organized, coordinated, and all made to bear upon a common purpose. But one of the great discoveries of the human mind, comparable in importance with the alphabet or the Arabic system of notation, is that large numbers of men can coordinate their efforts by voluntary agreement among free citizens. Recognition of this great fact, with a firm belief that it is capable of much greater development than we have yet seen, is a characteristic of all genuinely liberal minds. Impatience with its slow development or fear that it can never accomplish what liberals think it will is a characteristic of all illiberal minds.

Perhaps liberals were too optimistic, or hoped for a too rapid development of the principle of voluntary agreement among free citizens as the method of getting things done. If so, that may explain the present reaction toward reliance upon authority, or the apparent slump of liberalism. However, it is not unlikely that the pendulum will again swing the other way. A few bitter disappointments over the anticipated results of authoritarianism may turn the world again toward liberalism.

Authority is not exercised by government officials alone. The weight of ancient customs is even more powerful than government in creating status and holding a man in the station in which he is born. In proportion as men are relieved from this condition and encouraged to carve out their own careers, with no hindrances and handicaps except their own physical, mental, and moral limitations, in that proportion will each man's contribution to the na-

tional economy be increased. Similarly and for the same reason, in proportion as land and all forms of property are freed from customary encumbrances and each one made a merchantable commodity, that is, in proportion as its ownership and use is determined by contract, in that proportion will all these things be put to their most productive uses. These are propositions, with the few exceptions noted, capable of logical proof, but the proof requires some patient analysis.

Let us take as our first illustration something that will be at once recognized as a factor in production or a productive agent, namely, irrigation water. In most irrigated regions there is a great deal more land than can be satisfactorily irrigated with the existing supply of water. To spread the water over all the land would do very little good because there would not be enough on any of it to grow a crop. It is therefore necessary to leave some of the land unirrigated in order that the rest of it may have sufficient water really to grow crops. That is to say, if this is done, more crops will be grown and more people supported than could possibly be done by trying to irrigate all the land.

The question then arises, what land to irrigate and what to leave unirrigated. It will be a strange region if some portions of the land are not more productive than others. If there are differences in the productivity of the land, either because of accessibility, contour, plant food, or any other of the factors that make up productivity, it is obvious that more could be grown if all the limited supply of water is put onto the land that will respond most

vigorously to irrigation than if some of it were put onto land that was inferior in that respect. To irrigate land that will yield only 25 bushels of wheat to the acre when land could be irrigated at equal expense that would yield 50 bushels to the acre would be a waste of water. The sum total of the produce of an irrigation project where that mistake was made would be measurably less than it might be if the 50-bushel land were all irrigated, and if any land that had to be left unirrigated would be the 25-bushel land. These are physical and arithmetical facts and, of course, would apply to a communistic as well as to a capitalistic system.

The next question would be how to secure a proper selection of the land for irrigation purposes or to see that no 25-bushel land was irrigated and no 50-bushel land left unirrigated within the irrigation system. One possible way to accomplish this is to sell irrigation water to the highest bidders. The farmer who has 50-bushel land could then afford to pay more for water than the farmer who has 25-bushel land. Whatever might be said as to the effectiveness of this plan on abstract grounds, it could at least be said that more wheat would be grown and more people could be fed if the 50-bushel land got the water than if the 25-bushel land got it.

There may be differences among farmers as well as among acres of land. One farmer may be so skillful as an irrigator that if he is given the use of water on his land he can make it yield 50 bushels to the acre, where a poorer or less skillful farmer would use it so ineffectively as to make it yield only 25 bushels to the acre. This

might be true under communism as well as under individualism. Again, the question would arise, how to be reasonably certain that the 50-bushel farmer would take precedence over the 25-bushel farmer in the distribution of irrigation water. One possible way in this, as in the other case, is to let them bid for it, the 50-bushel farmer being able to pay more for his irrigation water than the 25-bushel farmer could possibly pay.

Of course, there are many other ways by which the distribution might be made. We can at least say that under the process of buying and selling, which is one phase of the system of contract, productive agencies tend to get into the hands of those who can make the most effective use of them. In so far as that is achieved, the production of wealth is enlarged, and the maximum number of people are enabled to live or to live on the maximum scale.

This principle of distribution, however, applies to other things than irrigation water. In fact, it seems to apply to labor itself. If, in any community or in any industrial system, labor is directed by inefficient managers, it will of course produce less than it would produce if it were directed by superior managers. Or, if labor is allowed to waste itself working on poorer land or with poorer equipment, it will produce less than it might produce if it were put to work on good land or with better equipment. Even if the laborer directs himself but directs himself very inefficiently, his product will be less than it might be if he were directed by someone else. All this that we have said about labor, like that which we said about irrigation water, would be true of communism as well as of indi-

vidualism. A communistic group that made the mistake of allowing labor to be directed by inefficient directors would not produce as much as it might produce if it managed to put its labor under superior directors. The question in this case, as in that of the distribution of irrigation water, is how to be reasonably certain that labor will be under the direction of those who are in a position to direct it most productively. The answer in this case is the same as in the other; that is, one way is by competitive bidding. If A can afford to offer B more than B can make when he works for himself, there is a chance then that B will quit working for himself and work for wages under A's direction. If, however, C is either a more skillful director or has better land or equipment than A, C can offer B more wages than A can afford to pay, and A will therefore find it to his own interest to work for C.

A thousand other illustrations of the same principle might be given. This is not a final and unanswerable argument in favor of freedom of contract in all different relations. It merely argues that unless some superior method can be found by means of which irrigation water, labor, capital, and all the other factors of production can be distributed, we shall do well to let the method of contract, of voluntary agreement, and of free buying and selling perform this important function. That no superior method has yet been found that could be operated on a large scale seems to be evidenced by the fact that the highest prosperity in the world today is found in those countries where freedom of contract is least impaired, where even land is a merchantable commodity and not held in

entailed estates, where there are very few hindrances to its free transfer from one person to another, where labor is mobile and flows freely from one neighborhood to another, from one employer to another, from one industry to another. We have here at least a pragmatic argument which, though not final and applicable to all times and places, should at any rate be given careful consideration and not rejected too easily. It is worth rather more than the cocksure statements of theorists who have never demonstrated their capacity to direct any productive agency successfully.

IV

THE COMPETITIVE SYSTEM

AN ENGLISH socialist, Mr. Bertrand Russell, has been quoted as saying to a group of Harvard undergraduates that he thought that twenty-two football men could make more touchdowns and kick more goals by cooperating than by competing. This was intended as an argument against the competitive system. One who is not capable of imagining any kind of competition except the kind which is carried on between two football teams might be puzzled even if he was not convinced by such an argument. One who realizes that there are many other kinds of competition would at least see the insufficiency of it.

If the blocking of the opposing team were strictly prohibited, and if each team were compelled to keep within its own territory and to make touchdowns and kick goals at different ends of the field, and if competition under these conditions could be stimulated by some highly desirable award, it is probable that more touchdowns and goals would be made than under any form of cooperation. That would be much more like competition between two business establishments than is the game of football as commonly played. But if two rival establishments were permitted to block one another in all the rough and tumble

ways that are permitted to two rival football teams, that form of competition would doubtless be inferior in productivity to cooperation or almost anything else. But we are not compelled to choose between cooperation on the one hand and that special kind of competition on the other. Our choice is between compulsory cooperation, on the one hand, in which independent enterprise is suppressed, and a restricted competition on the other, in which all destructive activity is suppressed and every kind of productive activity is permitted and encouraged. Competition thus becomes rivalry in production and not rivalry in destruction.

The term free or unrestricted competition is a misnomer. There is no such thing in any civilized country and there never was. The thing which distinguishes economic competition from the brutal struggle for existence is regulation, standardization, or the determination of what may be done and what may not be done in the pursuit of self-interest. The suppression of violence and fraud, even if nothing else is done, is a regulation of competition. It means that each competitor must succeed, if he succeeds at all, by some other method. There is then left open to him such methods as persuasion and production. Persuasion is sometimes difficult to distinguish from fraud or misrepresentation, as in the cruder cases of advertising, salesmanship, demagogy, and courting, but there are numerous cases where the distinction is easily made. In so far as competition takes the form of rivalry in production or in the performance of service, that is, in so far as the individual is led to try to succeed or to get

what he wants by trying to produce a better product or render a better service than his rivals in order that he may get a better wage, salary, price, or profit, there is not much to be said against it. It is a means by which production is stimulated and the world filled with goods. It is a means by which certain powerful human motives are harnessed to service and the largest possible number of persons are induced to do the largest possible number of desirable things. That *is* prosperity.

We are not even asked by the socialist to choose between voluntary cooperation on the one hand and some form of competition on the other. Voluntary cooperation is quite consistent with the present economic system. There is nothing to prevent its spreading or even becoming universal except the preference for competition on the part of considerable numbers of people. The socialist is not content with the voluntary spread of voluntary cooperative organizations. He knows that there is a limit to that and he has misgivings as to whether voluntary cooperative organizations can survive alongside of individualistic organizations. He wants compulsory cooperation, or a system under which even those who prefer competition are not permitted to compete or to run business enterprises in competition with cooperative enterprises. If one were compelled to choose between compulsory cooperation, even on a football field, and the kind of competition which one finds there, it is not certain that he would choose wisely if he chose compulsory cooperation. As between compulsory cooperation, even at its best, and competition when it is limited to the methods of

persuasion and production, most people seem to prefer competition. There are sound economic reasons why they should.

Much has been written about the wastes of competition, and there is waste in competition as in everything else. To show that there is waste in competition, however, is not enough to prove that we ought to try something else. We must first be convinced that there is more waste in competition than in compulsory cooperation or whatever system is to be substituted for competition. That has not been shown, nor can it be shown.

To begin with, compulsory cooperation in industry would require a strong compelling power. That compelling power is government. If government is democratic, there will be competition for office under the government, that is, there will be elections and campaigns preceding them. Even business competition is probably less wasteful than a political campaign.

They who are so zealous for the elimination of the wastes of competition should not stop with business competition. Suppose that through state socialism or some similar device all business competition were completely eliminated. This would certainly add to the powers of government and increase the number of government offices. This would increase the number of candidates and intensify political campaigns. Our zealot for the elimination of waste would then need to turn his attention to this form of waste and eliminate political competition. This would mean making a monopoly of government, under a dictator or a monarch. This may be economical.

In fact, Mussolini in part justifies his dictatorship on the ground of its superior economy, asserting that democracy is an expensive luxury to be enjoyed only by rich countries.

There is another group of writers who admit that economic competition, though otherwise disagreeable and a violation of our higher moral sentiments, is a means of increasing productivity; who assert that while competition is not the ideal system, it has a pragmatic advantage in the present state of human development in that it works. One writer has even admitted that, although it has no justification in ethics or religion, it has the one advantage of increasing productivity. This is probably not an accurate statement of the case. It is probably not true that the strongest hold the competitive system has upon the world is the fact of its efficiency in stimulating production. On the contrary, it is probable that its strongest hold is in the fact that it comes more nearly than cooperation to being an actual expression of human nature.

It is very difficult for us even to amuse ourselves without some element of competition. Find out what amuses people, what gives them a thrill or leads to a feeling of exaltation, and you at least have a clue to some of the essential qualities in human nature. You will not have to go very far to discover that tens of thousands of people will turn out to witness a competition of one sort or another, ranging all the way from prize fights to games of golf. Newspapers, which probably sense the public feeling pretty accurately, will give columns of space to games of chess or whist. You will have to go a long way before you find tens of thousands of people turning out to watch

men cooperate, where there is no element of competition involved.

Those who have been more or less active in the promotion of agricultural cooperation have, in some cases at least, reached the conclusion that farmers do not like to cooperate, but that they will do so in order to save themselves from bankruptcy or definitely to increase their pecuniary incomes. Unless they can be shown that cooperation is their salvation from bankruptcy or that it will definitely and measurably increase their cash incomes, they usually take no interest in it. These and a number of other observations lead one to the definite conclusion that men prefer competition to cooperation and will engage in cooperation, year after year and decade after decade, only under the cash motive. A remarkable enthusiasm for cooperation is sometimes developed, but invariably, so far as observation goes, it has been short-lived unless it pays in cash, which it sometimes fails to do. The enthusiasm oozes out through the fingertips, and unless there is money to be made by it, interest wanes and the people return to competition. There are not many exceptions to this rule. There are dozens of cases that come under it.

Of course, there are those who deny that the liking for competition is an expression of human nature but assert that, on the contrary, these present human tendencies are themselves mere social habits that have been acquired because each generation has grown up in an atmosphere of competition. On that assumption it is believed, by those who accept it, that if we could bring up a generation in an atmosphere of universal cooperation and never permit

them to form the habit of competition or even of witnessing competition in any form, a complete change in human behavior could be effected. In that case, we might see tens of thousands of people turn out to witness cooperation untainted by any competitive element. Sports, dramas, novels, and everything else in which men are now interested would either be eliminated or so revolutionized as to contain no elements of rivalry or competition.

The assumption that the existence of competition creates an appetite for it, and that the appetite for competition does not account for its existence, is of more than doubtful validity (more of this later). But aside from this, there are many practical difficulties in the way of a thoroughgoing test. To begin with, mere socialism or communism would not, as pointed out above, eliminate all rivalry or competition. So long as democracy survived there would be politics, campaigning for rival causes or policies, even running for office by candidates who stood for rival policies; possibly there would even be running for office by candidates who merely wanted the power, dignity, or distinction that went with high office. In short, to make the experiment complete, political as well as economic competition would have to be eliminated. That would require a dictatorship under which everyone who showed the slightest disposition to oppose the dictator or to compete with him for public favor would be summarily disposed of.

Again, rivalry might develop in the field of love-making. If two young men ever strove for the hand of the same young lady, or two young ladies for the hand of

the same young man, there would certainly be competition. This might excite the interest of bystanders and neighbors. That interest might lead novelists, dramatists, and film makers to try to cash in on it by writing stories and plays and by manufacturing films built upon that theme. In order to eliminate the erotic form of competition, it would be necessary for the dictator to assume the function of a universal matchmaker, or else to have every marriage determined by some rigid law of status rather than by contract. Freedom and competition in this field at least seem to go together. Not only would marriage have to be determined without rivalry, but a considerable number of stories and plays would have to be rewritten or suppressed. Otherwise, some of the rising generation might read them and learn to like the idea of rivalry or competition. If they learn to like it in one field, there is no assurance that they would not carry that liking over into other fields.

If the rising generation is to be completely safeguarded against the demoralizing sight of competition, it must also be deprived of such pets as kittens, puppies, lambs, and colts. Such pets will almost certainly play, and play with them is almost certain to take the form of mimic combats. Perhaps, however, these pets could be reformed. Possibly their play takes the form of mimic combats, not because it is an expression of their nature, but because, through association with human beings, they too have grown up in an atmosphere of competition. If so, by merely surrounding them with an atmosphere of cooperation they would be so changed in their behavior as never

to be found "a-playing at a combat in the attic" or anywhere else.

This indirect allusion to animal psychology brings up again the assumption that human behavior in these civilized times is, with the exception of a few basically instinctive reactions, the product of our civilized environment; or, more specifically, that our liking for competition is a habit which each generation acquires by growing up in an atmosphere of competition. We have just seen that, even if that assumption were true, the difficulty of changing that atmosphere is considerable. This difficulty might be so great, and the advantage to be gained from it so slight, as not to be worth the trouble. If the competitive instinct or habit, as the case may be, can be harnessed to productivity, it might work almost as well as the opposite habit, that of cooperation unmixed with competition.[1]

The behavior of our subhuman relatives seems to create a slight presumption against the assumption that our liking for competition is an acquired habit which can be unlearned. That assumption has been based partly upon a faulty deduction from Weisman's theory of the stability of the germ plasm. It has been argued, for example, that if acquired characters are not transmitted, then civilized man is not fundamentally different from the savage; that every child born into a civilization has to learn the whole of that civilization and can learn it no more easily than

[1] Most forms of successful cooperation are merely means by which competition may be carried on more successfully. There is, for example, cooperation among members of a football team, but this teamwork enables it to compete more successfuly against the opposing team. The same remark applies to a cooperative selling organization.

the child of savage parents, provided the latter could be given precisely the same external stimuli as the former; that our behavior, in so far as it differs from that of the savage, is wholly the product of our civilized environment. This is not a necessary deduction from the assumption of the non-transmissibility of acquired characters.

On the physical side, for example, there can be no question that considerable changes can be brought about even though somatic changes do not effect changes in the germ plasm. Weisman's historic experiment with mice demonstrated that one cannot produce tailless mice by the simple method of cutting off their tails for nineteen successive generations. It did not prove that tailless mice might not be produced by some other method, say by the selection of certain variations or certain mutations. Dehorning cattle has probably never produced a hornless cow, but hornless breeds have, nevertheless, been produced by other methods. Painting faces never produced a white or pink breed of men; nevertheless, we have a white or pink type. All this is perfectly well understood by every biologist to be thoroughly in accord with Weisman's general theory, even though biologists are not agreed as to the non-transmissibility of acquired characters.

Whether mental qualities and aptitudes come under the same law as physical qualities may be open to question. It is a question of fact and not of logical deduction from Weisman's theory. Whether these mental aptitudes have their bases in the brain, the intercostal muscles, the diaphragm, or the larynx, would not alter the nature of the problem. If certain physical changes can be brought

about by the evolutionary process, there is no abstract reason why others may not also be brought about, and if those physical characters that are correlated with mental qualities can be changed, there are no deductive reasons why mental qualities might not be changed with them.

That every child born into a civilized society must learn the whole of that civilization is, in one sense, not only true but obvious. At birth the child knows nothing. Whatever it knows later in life it must, therefore, have learned after it was born. This, however, does not in itself, without a great deal of inductive evidence, mean that the child may not inherit certain qualities or aptitudes which make it possible for him to learn what civilization has to teach. A young puppy probably knows as much as a young baby; at any rate, the difference is not so very great. That does not mean, however, that the pup may learn subsequently as much or almost as much as the baby. Nor does the fact that the child of savage parents knows quite as much as the child of civilized parents prove deductively, without further evidence, that it has the same aptitude for learning as the child of civilized parents. This cannot be determined in advance. It must be put to the empirical test, not in individual cases, but in a number of cases sufficient to establish statistical curves of variation in intelligence for each of the two races. Only then can the two races be scientifically compared.

Meanwhile, we have the great principle, presented by Darwin and still further emphasized by Weisman and de Vries, of adaptation to environment through selection either of ordinary variations or of mutations, preserving

those that fit into the environment well enough to survive, and extinguishing those which do not. Even if human beings had originally lacked all interest in competition, even though they originally were bored rather than exhilarated by the sight of competition as well as by stories about it, it is at least conceivable that the process of selection would eventually have bred up a race whose hereditary nature was such as to be satisfied by nothing else. If for many generations survival was largely a matter of fighting, they who fought with zest and enthusiasm might be expected to fight somewhat more effectively than those who fought with a feeling of indifference or disgust for the whole business. This selective tendency alone, if kept up for thousands of generations, might be expected to result in a race whose interest in fighting was too deep-seated to be eradicated in a single generation by the simple device of avoiding the experience of competition. It would probably require another thousand generations of selection of the opposite sort to eradicate all interest in competition.

All this tends to strengthen the argument in favor of the proposition that it is probably better on the whole to try to direct the competitive spirit, however it was acquired, into productive channels, making competition so far as possible into a rivalry in production or the performance of service, eliminating so far as possible all its destructive and deceptive forms, than to try to eliminate the competitive tendencies from human nature. To do the opposite would seem a little like advising the giraffe to learn to eat grass rather than to continue browsing on the

leaves of the mimosa tree, which is a kind of glorified alfalfa—on the theory that if it continued living on grass for a long enough time, nature would shorten its neck and front legs and otherwise readjust its anatomy so as to make it as easy to eat grass as it is now to eat mimosa leaves. Nature's process of modification is a slow and painful one. It may be cheaper and more satisfactory to proceed along the line of our past development than to try to reverse the whole process and attempt to move in an opposite direction.

But what is economic competition? It is not, to begin with, the brutal and unmitigated struggle for existence, as that struggle is carried on among plants and animals. Among the many things that can be said about civilized man is that he is the standard-setting animal. It is only among civilized men that such a thing as a standard of living, a standard of moral behavior, a standard of competition, can be said to exist. Where a standard exists, it merely means that there are some things that are not done that would be done in the absence of such a standard of conduct.

Animals do not commit crime, yet they do everything that human criminals do. The reason they do not commit crime is not that their acts are essentially different from those of human criminals, but that they have no standards by which to test the moral quality of their acts. Anyone is called a criminal in human society who does something which falls far enough below the standards of the society to which he belongs to evoke the strong condemnation of that society. If the standards rise rapidly,

or become more and more severe, there will appear to be an increase in crime, even though human conduct has not grown absolutely worse. The prohibitory law makes crimes of acts which formerly were not called crimes. Moreover, animals do not commit sin, though they do everything that sinners do. Even where the criminal law has not specifically forbidden an act, the moral sense of the community may condemn it, and it thereby becomes a sin, in name at least.

Why there should be standards of human conduct is one of the most important of all questions in sociology. There is abroad a kind of intellectual nihilism which maintains the proposition that nothing is really or absolutely right or wrong, but that certain acts are called right and others wrong merely because someone invented the notion. Some even go so far as to reject all standards of conduct and leave human beings to behave according to their own impulses. This would undoubtedly eliminate crime in the technical sense, though there is no reason to think that it would improve human conduct. We would merely get rid of crime by ceasing to call anything by that name. Apologists for sovietism assert, for example, that there is no prostitution in Russia. They do not assert, however, that sexual relations are any less loose than they were before sovietism began to call things by different names.

So long as we restrict our discussion to the field of logomachy, or so long as disputants do nothing but juggle with words, it is not easy to reach a sensible conclusion on the question of the social value of standards of conduct. We may cut the Gordian knot of all such futile discussions

by assuming a case of two rival communities, equally fortunate in the possession of physical resources, but differing on the question of standards of conduct. In one of these rival communities, let us assume that there are rather severe standards of conduct, enforced by the will of the community. Let us assume also that these standards are so clear-cut and their enforcement is so rigid that no person can ever succeed in getting what he wants either by violence or deception. If he wants anything he must get it either by producing it himself or by inducing someone else to give it to him gladly and freely; that is, either as a gift or in exchange for something which the other person would rather have than the thing he is asked to give up. In this community, which we shall call Community A, no energy is wasted in destructive or deceptive effort. Since everyone is compelled to get what he wants, if he gets it at all, by productive effort, there will be a great deal of productive effort put forth, and consequently a great deal of production.

In the other community, which we shall call Community B, there are no standards at all. Violence is permitted if it can be organized on a scale sufficiently large to be successful. Deception and fraud are means of getting what the individual wants if he is sufficiently skillful in the arts of deception and fraud. This community would be, in respect to the absence of standards, precisely like any animal community. The individual who is not strong enough, or who cannot combine with a large enough number of other individuals, to succeed by violence or fraud would, of course, be compelled to get his living—if he got

it at all—by producing it. The same necessity would be upon those who are not shrewd enough to succeed by the arts of deception and fraud. The strongest and the most cunning would find opportunities for prosperity by destructive and deceptive methods. A great deal of the man power of the community would therefore be wasted in this kind of effort.

Which of the two communities would probably grow more rapidly in numbers, prosperity, and power? There is not much doubt that the community that set and enforced the severe standards described above would be more successful than the other and would eventually be able to exterminate the other as an obnoxious nest of thieves and scoundrels. It would probably justify itself in doing so on the ground that an inferior, unprofitable, or unproductive community was occupying good land or cumbering the ground like the barren fig tree. If Community B survived at all, it would be because of the moral self-restraint of the more successful rival community. Community A would have an abundance of surplus power with which to exterminate Community B if it cared to do so. Community B would owe its continued existence—if it continued to exist at all—to the moral self-restraint of Community A.

The inference is clear that standards of conduct enforced by the community may be powerful agencies for economizing human energy—that is, for getting all the man power of the community to work in productive channels; on the other hand, the absence of standards will permit a good deal of man power to waste itself in un-

productive or destructive channels. With equal natural resources, the community that economizes its man power most successfully will be the successful community. That is, it will grow in numbers, prosperity, power, and all that goes with civilization much more rapidly than the community that wastes a great deal of its man power.

It is also true that a community may have false standards—that is, it may insist on kinds of conduct that are not productive of anything, and may tolerate forms of conduct which are destructive. In such a case, the possession of these irrational standards is a handicap rather than a help.

An analysis of the standards actually enforced among various tribes and peoples will convince anyone that there are many false and irrational standards in existence. It is probably no accident that these false and irrational standards are more conspicuous among the tribes that have never made much of a success—that is, that have never produced enough to support large numbers or to support them well. It has never built anything above ground that can be brought under the general name of civilization. A student who sees nothing in the standardization of conduct except these rather numerous, false, and irrational standards may, if he is himself somewhat irrational and impulsive, jump to the conclusion that all standards are a handicap, and become an intellectual nihilist. His conclusion would be about as rational as that of one who found that some foods were unwholesome and would therefore condemn all food.

The test by which to distinguish a rational from an

irrational standard of conduct is the test of economy. Does the standard result in a greater economy of human energy or of the working power of its people, or does it not? If it does, it is a factor in progress; if not, it is a hindrance to progress. On the basis of this general principle, one might almost conclude without specific examination of the facts that any tribe that has failed to make a success of its tribal life, that is, one that has never been able to support large numbers and to support them well, or to build any of the outward evidences of civilization, either has no standards at all or has inefficient or irrational standards. It is perfectly certain that it has not economized its man power and applied it effectively to rational ends. The only general reason that could be given for its failure to economize its man power would be the absence of sound and rational standards of conduct enforced by the tribe upon its individuals.

On the other hand, any tribe or nation that has made a conspicuous success of its tribal or national life, that is, one that has succeeded, over long periods of time, in producing enough to support large numbers and to support them well and in building the outward evidences of civilization, could have done so only by reason of the fact that it has economized its man power and applied it effectively to rational ends and purposes. The only general reason that could be given for this is that its standards of conduct have been, on the whole, sound and rational. Whether the standards were enforced by criminal law or merely by the moral opinion of the people at large, it is pretty certain that the standards must have existed. This

would not preclude the possibility that there were many items in the moral code of such a nation that were still lacking in soundness or rationality; but the presumption is in favor of its soundness as a general or average fact. In a country that has succeeded as well as have most of the countries of northwestern Europe and their colonies in America, one should think twice before undertaking a general condemnation of the standards of conduct accepted and enforced in these countries. They must, on the whole, have been fairly sound according to the test which we are here discussing; that is, they must have resulted in a fair degree of economy of the man power of these peoples.

Furthermore, if these standards should follow the principle already suggested, wherever a rule of conduct is enforced that can be shown to be wasteful of man power or even to fail to economize man power and apply it rationally, that rule should be repudiated or ignored as soon as the mind of the general community can be changed. If there is any new rule of conduct which, when enforced, would result in greater economy of man power, that rule should be adopted and enforced as soon as the mind of the community can be made up. This indicates the general direction in which moral reforms must proceed if they are to be successful in the larger sense—not in the short-sighted or demagogic sense.

The difference between demagogic success and real success is now fairly clear. A given group of agitators may succeed in persuading the community to adopt a new rule or standard and think that they have succeeded. The

real test, however, is yet to be applied. How will it work after it is adopted? Will it economize the man power and enable the community to support more people and support them better, or will it not? If so, it will prove a real and final success; if not, the community that has followed the demagogic leaders handicaps itself and will therefore waste more rather than less of its man power and will support fewer people, or will not support them so well. In short, it will decline in civilization.

One of the most vivid pictures of the unmitigated struggle carried on among the lower forms of life is found in Robert Louis Stevenson's "The Woodman." He pictures the intense struggle among the plants in the dense vegetation of the tropical jungle.

Thick 'round me in the teeming mud
Briar and fern strove to the blood.
The hooked liana in his gin
Noosed his reluctant neighbors in:
There the green murderer throve and spread,
Upon his smothering victims fed,
And wantoned on his climbing coil.
Contending roots fought for the soil
Like frightened demons: with despair
Competing branches pushed for air.
Green conquerors from overhead
Bestrode the bodies of their dead:
. . . . . .
So hushed the woodland warfare goes
Unceasing; and the silent foes
Grapple and smother, strain and clasp
Without a cry, without a gasp.

An analysis of the struggle for existence as it is carried on where no standards of conduct prevail shows that there

are four distinct methods by means of which creatures struggle for advantage. These methods may be described by the four words: destructive, deceptive, persuasive, productive.

By destructive methods are meant all those whereby one succeeds by virtue of one's power to kill, to hurt, or to inspire fear of physical injury or pain. "War," "robbery," "dueling," "sabotage," and "brawling" are names for methods of destruction as carried on by human beings; but it must be remembered that animals also kill, rob, inflict injury, and inspire terror.

By the deceptive methods are meant all those by which one succeeds by virtue of one's power to deceive, to swindle, or to cheat. Animals practice deceit, though we do not call their forms of deceit by such names as "swindling," "counterfeiting," "adulteration of goods," and the like.

By the persuasive methods are meant all those methods whereby one succeeds by virtue of one's power to persuade or to convince. One may beat one's rival by being a more persuasive talker, whether one is striving for favors from the sovereign person or from the sovereign people, whether one is striving for the hand of a lady, the decision of a jury, or the trade of a possible customer. This form of conflict would remain even if we could eliminate all other forms. Even under the most complete form of communism there would remain abundant room for the persuasive forms of conflict.

By the productive methods are meant all those methods whereby one may beat one's rivals, or gain advantages, by

virtue of one's power to produce, to serve, or to confer benefit.

The same persons may resort to more than one of these methods in order to gain an advantage. When two farmers compete in growing crops, they are struggling for existence, or for economic advantage, by a productive method. When they quarrel over a line fence and take their quarrel before a court for adjudication, they are struggling by a persuasive method. When they secretly alter or remove landmarks in order to gain an advantage in their litigation or when they bribe jurors, they are struggling by a deceptive method. When they fall to fighting either with fists or with weapons, they are struggling by a destructive method. When they change their methods in the order just described, they are sinking lower and lower in the scale; that is, they are resorting to worse and worse methods of struggling for existence or advantage. When they rival one another in growing corn, there is more corn grown; the country is better fed and everyone is better off, except possibly the one who is beaten, and even he may very likely be better off than he would have been if he had not competed at all. When two farmers quarrel over a line fence and take the case into court, no one gains any benefit except the lawyers, and what the lawyers gain the litigants lose. No new land is created by that conflict. No new wealth is produced. The community is no better fed, and the litigants have wasted their time. To change from persuasion to deception or from deception to physical force is so clearly to sink to a lower level that it is unnecessary to pursue the topic further.

It will be apparent to anyone who will study the problem that among animals the destructive and deceptive methods are the characteristic forms of struggle. They kill, maim, injure, rob, and deceive one another with no moral or legal restraints. They may sometimes rise to the level of persuasion, as in the courting process, but never to the level of production; that is, no animal ever tries to beat its rival by producing a larger or better product or rendering a greater or better service. Among human beings who have no moral sense and who are unrestrained by law and justice, the destructive and deceptive methods of struggle will be followed as well as the persuasive and productive methods, but the destructive and deceptive methods of struggle are precisely the things that morals and laws are designed to prevent. In any civilization worthy of the name and under any government worthy to stand overnight, men are actually restrained, by their own moral feelings, by respect for the good opinions of their fellows, and by fear of legal penalties, from attempting to promote their own interests by destruction or deception.

Where this high standard of competition is actually achieved, competitive production becomes virtually rivalry in the performance of service. Under this rigid standard Adam Smith's dictum regarding the invisible hand tends to become true. That is, men are led as by an invisible hand to promote the public good while trying to promote their own. Be it understood, however, that this desirable result does not follow from any universal harmony of human interests. It is achieved only when and

because rigid standards are imposed by law, by custom, by the desire for social esteem, and by the individual's own sense of propriety regarding his conduct.

But what is the principle of justice that is to be found somewhere in the center of this vast economic system, that seems to present to the outward eye so many conflicts, discordances, and individual cases of hardship? Stated in its most abstract and general terms, the principle is simply this: Let everyone prosper in exact proportion as he contributes to the prosperity of others. A Great Teacher once voiced the same principle—"He that would be great among you, let him be your servant." It is merely the principle that each one should earn what he gets. He that would be great, either in wealth, in popularity, or in political power, must earn his greatness by serving or by contributing to the well-being of others. In this pronouncement of the Great Teacher there was no hint of condemnation of the desire to be great or successful. That desire seems to have been accepted or implied in the very words, "He that would be great." The one limitation was, however, that greatness, whether of wealth, popularity, or power, must be earned and not acquired in any other way.

The proposition, let every one prosper in exact proportion as he contributes to the prosperity of others, is undoubtedly sound in principle but difficult to apply in the concrete. It is sound in principle for the reason that it works in practice. Any society or any nation that adopts this principle as its ultimate ideal of economic justice and that succeeds, in some degree, in realizing it in practice

has the surest possible guaranty of greatness. This is the surest possible way of harnessing human energy to the social good—by appealing to the strongest possible human motive. The social group, whether large or small, that serves notice upon each citizen that his prosperity is to be limited only by the amount which he contributes to the prosperity of the whole will have found the surest means of inducing every one of its citizens to go about literally *doing* good—not *being* good in any subjective, psychological sense, but *doing* good in an objective, measurable sense. Under this rule of justice, even the selfish man will be induced to behave very much as he would behave if he were wholly benevolent.

It is necessary, in following this analysis, to differentiate sharply between subjective motives and objective conduct. Something is to be said in favor of securing desirable objective conduct even from men whose motives are somewhat self-centered. The bread which you eat contains as many calories and is probably, on the whole, as satisfactory to you when the wheat of which it is made was grown for profit as it would be if it were grown for benevolence. Until we can usher in the reign of universal benevolence, the next best thing is to get unbenevolent men to act precisely as they would act if they were benevolent. This is really the purpose of a sound principle of justice. The policy of permitting every one to prosper in exact proportion as he contributes to the prosperity of others tends to accomplish that end. It is, therefore, just.

But it is difficult to apply in the concrete. Centuries of progress based upon study and careful adjudication of dis-

putes have been necessary to bring us even to the present imperfect realization of that ideal. It will doubtless take centuries more to approach perceptibly nearer to that ideal.

An immediate and practical question is, Who shall determine how much the individual contributes to the prosperity of other people? An omniscient and omnipotent ruler might do this accurately. In the absence of such omniscience it must be done by powers with limited intelligence. In a democracy it seems that we shall be compelled to leave the evaluation of the individual service to those other individuals who receive the service. If what you do is worth anything, it is worth that something to somebody. The one who receives your service may be very stupid and incapable of placing a proper evaluation upon it, but it would be difficult to find anyone else who would be in a better position than he to evaluate your work. While, therefore, as an abstract proposition the rule, Let everyone prosper in exact proportion as he contributes to the prosperity of others, is absolutely sound, as a working proposition it has to be modified so as to read somewhat as follows: Let everyone prosper in proportion as he can persuade somebody else to appreciate or desire his service.

Under a despotism the effort to secure appreciation of one's service is very likely to take the form of hanging about the court of the sovereign person. In a democracy it may take the form of political demagogy, of salesmanship, of advertising, and various other methods of creating appreciation of what one has to contribute. If in a

despotism the despot were stupid, the real contribution of the individual might be underappreciated, and even harmful acts might be highly appreciated and rewarded; but under a despotism there is no higher court of appeal from which to secure a reversal of this practical judgment. Under a democracy, likewise, if the democracy is stupid, the same unfortunate results are certain to happen. So long as democracy lasts and so long as it remains stupid, there will be no higher court of appeal from which to get practical judgments. The nearest practical approximation to the ideal of abstract justice is simply this: Everyone shall prosper in proportion as he can persuade others to appreciate and pay for his contribution to their prosperity.

Still other qualifications are necessary. Even though the abstract principle of justice were fully realized, there might still be a great deal of poverty. If everyone actually prospered in exact proportion as he contributed to the prosperity of others, considerable numbers might be found in a position in which they could make very slight contributions to the general prosperity. In such cases their rewards would be very slight, and they would consequently be very poor. In this interlocking civilization of ours, where we are all mutually dependent upon one another, there is always the possibility of things being thrown out of balance. There might be, to take a concrete illustration, more hodcarriers in a community than were needed to wait upon the limited number of masons to be found there. Under such a condition as this, the contribution of the individual hodcarrier would be very slight,

as determined by the following acid test. Let him emigrate from that community or let him stop working. How much less building could be done as the result of his emigration or of his refusal to work? Very little less, because there would still be plenty of hodcarriers to wait upon the existing number of masons. Building operations could go on without a flurry or a ripple. Or let an additional hodcarrier come to this community and seek work. No perceptible acceleration of the rate of building would follow, for the reason that there were already as many hodcarriers as could be used in combination with the limited number of masons. Under such conditions, hodcarriers would necessarily be poor. Some of them would either be unemployed and therefore poor, or all of them would receive very low wages. At the same time, if masons were scarce, every individual mason would count in the building operations of that community. If one should stop working, building operations would slow down. If another should come to the community, building operations would accelerate. The individual mason's contribution to the housing and shelter of that community would be positive and his reward would be ample. So under these conditions, even though both masons and hodcarriers received exactly what they were worth or prospered in exact proportion to their individual contributions to the prosperity of the whole community, hodcarriers would be unprosperous and masons at least relatively prosperous.

This will illustrate the need for another qualification, or perhaps a supplementary principle, to relieve some pos-

sible hardships that might follow from the rigid application of the general abstract principle above named.

Let everyone have the best possible opportunity for acquiring skill and ability, in order that he may make the largest possible contribution to the prosperity of the whole community. This would go a long way toward correcting the difficulties that might grow out of the strict application of the first abstract principle of justice. If every young person growing up had been given ample opportunities for acquiring such education and skill as his native ability would permit him to acquire, there could have been no such overcrowding of the occupation of hod-carrier and undercrowding of the occupation of mason as that described in the above illustration. But where opportunities for education and training are limited, where young men grow up with no opportunity to learn to do anything except what they can learn from their fathers, it is quite certain that some occupations will be overcrowded and others undercrowded. Where this happens, there will be great differences of riches and poverty even where the first abstract principle of justice is enforced. But if any country can achieve both results, can lay down and enforce, first, the general rule that everyone should prosper in exact proportion as he contributed to the prosperity of the whole, and second, that everyone should have the best possible opportunities for training himself to make his maximum contribution to that general prosperity, two results are absolutely certain to follow. First, there will be a great deal of general prosperity. Second, that general prosperity will be widely diffused among all classes

and occupations. There will be no congested occupations with their accompaniments of unemployment and low wages. The oncoming stream of youth, being well and widely trained in a system of universal and popular education, will naturally avoid every occupation that shows signs of being congested and poorly paid and will seek those other occupations that show signs of being depleted and well paid. This will automatically preserve a balance among occupations and tend toward the equalization of prosperity among them. What constitutes equality will be discussed in a later chapter.

V

THE BALANCE BETWEEN LIBERTY AND AUTHORITY

OF THE various names that have been used to describe our economic system, that of economic voluntarism is probably the most accurate. It implies, among other things, what Sir Henry Maine called the reign of contract rather than that of status, or that the individual more and more does what he agrees to do rather than what he is commanded to do by some person, law, or long-standing custom. It implies, moreover, that he is led to make his agreements by a lure rather than by a prod, by the hope of a positive good rather than by the fear of a positive harm, by a reward rather than by a punishment. Those who persist in saying that there is no difference here will be answered later.

Of the other names that have been used to describe our present economic system, individualism is probably the best known. Properly understood, this name is accurate enough, but it is so easily misinterpreted and misapplied as to make it a misleading term. The vastness of our numbers, the intricate complexity of our organization, and the large scale on which many enterprises are administered make it seem, at times, as if there were very little individualism—that is, individualism of a special kind—

left in this modern world. Certainly, not many of us can stalk independently through organized society, turning neither to the right or to the left, like a hoodlum in a crowded street. Everything we do, from moving through the streets to writing a book, must be done with a great deal of regard for the feelings, prejudices, and whims of other people, to say nothing of traffic policemen, conventional ideas of decency, and copyright laws. In fact, some of our social rebels base their objection to our economic system on the ground that there is very little individualism left.

Of course, the general change from status to contract is, in another sense, a change toward individualism and away from institutionalism. Status itself is a kind of rigid institutionalism under which individuals and their own desires and capacities count for little and rigid customs for much. Contract, even though it be considered only as another kind of institution, is at least a more flexible one, which permits the preferences and capacities of individuals a somewhat freer expression than was possible under a law of status. In that sense and in that sense alone is our present economic system individualistic. However, even this characteristic of our system is quite as accurately described by the word "voluntarism" as by the word "individualism."

Another term sometimes applied to our system is competition. It happens that there is a great deal of competition in our system. But it will appear that this is a result of voluntarism, or at least that competition will automatically exist except where it is sternly repressed and

men are compelled to do what they are told to do rather than what they would like to do. Wherever men are permitted to make their own arrangements with their fellows on the basis of voluntary agreement, there will certainly be competition unless human nature should so change that men would no longer care to drink "delight of battle with their peers," or even to read stories or see dramatic representations of combat. Besides, all who care to do so may cooperate as well as compete under our system. In fact there is nothing in our system to prevent cooperation from spreading until it becomes universal except the preference of certain people for competition. So long as cooperation is voluntary, it fits as well into our system as competition. To make it compulsory would destroy our system, not because it destroyed competition but because it destroyed voluntarism. In fact, any of the so-called forms of socialism or communism are quite compatible with the present economic system, *provided they are voluntary and not compulsory;* but, in reality, without compulsion they would not be accepted as either socialistic or communistic by the ordinary socialist or communist.

As a matter of fact, there have been a great many communistic societies in the United States. Unless they introduced such features as complex or plural marriage, or some other non-essential which shocked the moral sense of the country, they were not interfered with. There was no reason in our laws or institutions why communism might not have become universal if our people could all have been persuaded to join these or organize other communistic groups.

The following is a partial list.

- AMERICAN COMMUNISTIC SOCIETIES
  - RELIGIOUS
    - *Of American origin*
      - The Shakers (numerous colonies), Maine to Kentucky, 1787-
      - The Perfectionists of Oneida, New York, 1848-1879.
      - Zion City, Illinois, 1890-1896.
      - Jemima Wilkinson's New Jerusalem, New York, 1786-1820.
      - Celesta, Pennsylvania, 1852-1864.
      - Salem-on-Erie, New York, 1876.
      - The Woman's Commonwealth, Texas and Washington, D. C., 1880-
      - The Lord's Farm, New Jersey, 1877.
      - Shalam, or The Children's Land, New Mexico, 1884-1901.
      - Estero, Florida, 1904.
      - The Christian Commonwealth, Georgia, 1896.
      - The House of David, Michigan.
    - *Of foreign origin*
      - Ephrata, Pennsylvania, 1732.
      - The Harmonists, Pennsylvania, 1803.
      - The Separatists of Zoar, Ohio, 1819-1898.
      - The Amana Society, Iowa, 1843.
      - The Bishop Hill Colony, Illinois, 1846-1862.
      - The Bruederhof Communities, South Dakota, 1862.
      - The Waldensian Colonies, North Carolina and Texas, 1893.
      - St. Nazian's Colony, Wisconsin, 1854.
  - NON-RELIGIOUS
    - *Owenistic*
      - New Harmony, Indiana, 1825-1827.
      - Yellow Springs, Ohio, 1824.
      - Numerous others.
    - *Fourieristic*
      - Brook Farm, Massachusetts, 1841-1847.
      - Fruitlands, Massachusetts, 1843.
      - Hopedale, Massachusetts, 1841-1858.
      - North American Phalanx, New Jersey, 1843-1856.
      - Wisconsin Phalanx, Wisconsin, 1844-1850.
      - Northampton Association, Massachusetts, 1842-1846.
      - Numerous others.
    - *The Icarians*
      - Nauvoo, Illinois, 1849-1866.
      - Cheltenham, Missouri, 1858-1864.
      - Icaria, Iowa, 1860-1895.
    - *Independent*
      - Skaneateles Community, New York, 1844-1846.
      - Polish Colony, Anaheim, California, 1876-1878.
      - Topolobampo, Mexico, 1886-1901.
      - The Ruskin Commonwealth, Georgia, 1896-1901.
      - The Co-operative Brotherhood, Washington, 1897.
      - Equality Colony, Washington, 1899.
      - The Straight Edgers, New York, 1899.
      - The Helicon Home, 1906-1907.
      - Llano Colony, New Llano, Louisiana.

Not one of these groups ever gave up communism, though some of them had to give up certain non-essentials, because of the hostility of our laws. Their failures, when they failed, were due to their inability either to make new converts or to hold their own people. The general preference for the kind of life enjoyed by non-communists over that enjoyed by communists was so strong that nothing short of drastic compulsion could have made it universal. Compulsion was not necessary to destroy communism. Freedom on the part of each one to choose communism or individualism was enough in most cases.

No genuine liberal would propose or support any hostile legislation against the voluntary spread of communism. He might decline to join a communistic group and advise his friends to do likewise, but his liberalism would compel him to permit those who like it to adopt it without legal hindrance. That would only be giving communists the right which he claims for himself, namely, the right of deciding for himself as an individual what relationships he shall enter into with his fellow citizens, each of them, in turn, acting voluntarily. The use of compulsion, either to force communism upon an unwilling minority or to prevent a communistic minority from organizing communistic groups among themselves, would be equally subversive of voluntarism.

Two questions now arise which seem to demand immediate discussion. Since it is impossible to discuss them both at once, it is necessary to take them in order. These questions are, first, What real advantage is there in the method of voluntary agreement over that of authority

and obedience as a means of coordinating human effort? second, How far is it possible to carry the method of voluntary agreement to the displacement of the method of authority and obedience?

As to the first question, one may say at least that the method of authority and obedience is less pleasant to the one who has to render obedience than the method of voluntary agreement. If there is any doubt about this, it can easily be tested by the reader. Of course, it may be said, on the other hand, that the method of authority and obedience is more pleasant to the one who exercises authority than the method of voluntary agreement. This can also be tested if there is any disposition to deny it. The first of these facts probably explains why the method of voluntary agreement seems to spread with the spread of democracy. They who were formerly in a position of obedience have, throughout modern history, shown a disposition to get out from under such a system and to substitute the method of agreement. The second of these two facts probably explains the general opposition to the method of voluntary agreement by all those who were, in the past, in a position of authority. The old military aristocracies of the world have always scorned the method of voluntary agreement. It is the method of the *bourgeoisie,* and men of violence have shown a tendency to pronounce that word as though it were an epithet. Not simply the old military aristocracies but every militant class has shown the same disposition.

The principle involved—the general preference of democracies for voluntarism—helps to explain another

prominent fact of the modern social system. It is one of the paradoxes of our modern social life that economic strength and political strength are almost antithetical terms. Any class or group which becomes numerous becomes weak economically but strong politically. On the basis of voluntary agreement or free contract, it is at a disadvantage on the market, where its numbers make it weak in bargaining. But in the exercise of authority through the agency of government, its numbers make it strong in voting power, and this gives it an advantage. If, for example, manual workers are exceedingly numerous in comparison with mental workers, managers, investors, and the like, the oversupply of manual labor will give low bargaining power to the manual workers, but their very numbers give them great voting as well as fighting power.

Another phase of the same principle is found in the fact that the smallness of the numbers of those who are capable of performing the functions in industry other than manual labor gives them great advantage on the market. They can command high salaries, high interest rates, high profits. Having few competitors, they can almost dictate their own terms; but, on the other hand, the smallness of their numbers gives them low voting power and little control over government, especially if the manual workers become aware of their power or are organized and led by skillful demagogues.

This antithesis of economic and political strength is very likely to react on the attitudes of different classes toward the problem of voluntarism. Those who are in the weak position economically find freedom of contract

of comparatively little advantage to them. If the oversupply of manual labor is acute enough, it becomes literally true, as has sometimes been sweepingly asserted, that freedom to bargain for wages merely means freedom to be poor or even to starve. Naturally, such freedom is not highly prized. Many a person in that situation would be glad to exchange such freedom for a guaranteed ration under some sort of an industrial army in which the method of authority and obedience was used exclusively and the method of voluntary agreement not at all.

This explains the observed fact in the present economic world that the only places where a socialistic and communistic revolution is at all possible are those places where there is an enormous oversupply of manual labor and a corresponding dearth of managers, technicians, enterprisers, and capitalists. Any country in which there is even a mild scarcity of manual labor and a relative abundance of technicians, managers, enterprisers, and capitalists shows little interest in such a revolution. Where manual laborers are scarce, their bargaining power is high. Freedom to them does not mean freedom to starve; it means freedom to get better and better wages. Few of them, under such conditions, would be willing to exchange the method of voluntary agreement for authority, even if they could be assured, which they cannot, of slightly higher wages to be issued from a communistic commissariat in the form of rations and other supplies.

Marx, who was logical enough to reason correctly from such premises as he saw fit to assume but who, because he assumed false premises, reached in practically every case

diametrically wrong conclusions, predicted that a communistic revolution would come first in those countries in which capitalism developed first. Starting with the assumption that whatever a capitalist made he must necessairly make by subtracting from wages, he reasoned that as capitalism developed, the share of the laborer would grow less and less, and the share of the capitalist more and more, until all laborers would see that free bargaining was no longer of any advantage to them and would use the power that numbers give them to overthrow the system and substitute some form of socialism or communism. If Marx had started with the correct assumption, he would have reached diametrically the opposite conclusion, namely, that those countries in which capitalism developed first and farthest would be the last to give up the system of voluntary agreement and go over to the system of authority and obedience or any kind of compulsory socialism or communism. In other words, if he had understood the fact that as the system of voluntary agreement developed in its purer forms, capitalists, like everyone else, would gain only in proportion as they contributed to the wealth of others, and that under these conditions the further capitalism developed, the higher wages would become, reasoning from a correct understanding of the facts of the case, he would have concluded that the only countries in which the tendency toward freedom of contract would be reversed by a socialistic or communistic revolution would be those in which it had not developed far enough to pay high wages. Such a prediction would have been verified already by the historical facts of

the present day. Not in the United States, where the system of voluntarism has had its highest development, but in Russia and Mexico, where it has had the lowest development, the revolution has been attempted.

It is somewhat amusing to notice how the defenders of Marx try to wriggle out of this. One subterfuge is to point out that although prosperity is being diffused in this country and although even the shares of the great industrial corporations are being owned by larger and larger numbers of people of all classes, the management of these corporations is still concentrated in few hands. Marx did not think it necessary to say that any large enterprise, whether governmental or private, would have to be carried on under somewhat concentrated management. He specifically pointed out that the *ownership* of capital must pass, more and more, into the hands of a few, which has turned out to be a diametrically wrong prediction. As to concentrated management, that is, of course, necessary if we are to have large-scale industries, whether owned by private investors or by the government. The only question is, shall the few to whom management must be delegated be responsible or irresponsible to those whom they represent? There is always danger of irresponsibility. That danger is quite as great today in the management of government enterprise as in the management of private enterprises. A number of people have had occasion to complain of what they feel to be an irresponsible or arbitrary management of the post office in the exclusion of obscene literature from the mails. Professor Ripley's valuable work of exposing cases of irresponsible manage-

ment is not a campaign against concentrated management. It is a campaign against irresponsible management.

While the growing spirit of democracy has brought with it increasing consideration for the feelings of those who were formerly in a position of obedience and less consideration for the feelings of those who were formerly in a position of authority, it is perhaps worth considering in a purely academic fashion whether the gain in pleasantness to those who formerly obeyed but now enter into voluntary agreements is sufficient to offset the loss in pleasantness to those who formerly exercised authority but are now compelled to bargain. Arithmetic is on the side of the affirmative of this question. That is, the number of those who have gained is greater than the number of those who have lost. If there had ever been a condition of authority and obedience in which each person in authority exercised power over one person only, then the numbers of those in authority and those in obedience would have been equal, and this purely arithmetical argument would not be valid; but that was never the case. Only a few were ever in a position of authority; many were in a position of obedience. Only a few, therefore, have lost the feeling of pleasantness by being deprived of authority and compelled to bargain. The many have gained by being freed from the necessity of obedience and by being permitted to bargain.

There is still another somewhat technical reason for the support of the affirmative. This reason is found in the proposition that, on the average, one man with another, the individual whose feeling of pleasantness was

increased by being freed from authority and permitted to bargain has gained more than the other has lost by being deprived of authority and compelled to bargain. When an organization like an army, whose organization is based on authority and obedience, is disbanded, the private gains more in being relieved from authority than the officer loses by being deprived of authority. The lower officers, at least, are in a middle position—they exercise authority over some but are under the authority of others. The net loss to them is probably negligible.

Aside from all feelings of pleasantness in connection with obedience on the one hand and voluntary agreement on the other, there is the question of efficiency. If two persons can by any possibility be brought into agreement on a given plan or the carrying out of a given purpose, so that each one comprehends it and enters into it with understanding and willingness, the two can probably coordinate their efforts more effectively, with less waste and friction, than if one alone understands what the purpose is and merely compels the other to work with him. In the latter case the one who works under authority will work at some disadvantage.

The only question in this case is, how far is it possible for the different participants in any large enterprise to work together on such a basis of common understanding and agreement? Where it is impossible, of course, the alternative is either authority and obedience on the one hand, or the abandonment of the enterprise on the other. If it is possible, however, to extend the field of voluntary agreement and by so doing to restrict the field of au-

thority and obedience, that would be a kind of progress. But arbitrarily or forcibly to suppress or hinder the expansion of voluntary agreement would be either an obstruction to progress or positive retrogression.

This brings us to the second of the above questions—How far is it possible to extend the principle of voluntary agreement among free citizens, or to substitute it for the method of authority and obedience as a means of coordinating human effort? Because it works well in a limited field, it does not necessarily follow that it could be extended to every possible relationship of life. Neither does it follow, of course, that government authority should be extended over everything because it happens to work well in a few cases. Somewhere there probably is a balance between the principle of authority and the principle of voluntarism. If that balance can be found, the optimum result may be expected to follow.

Some have seen fit to call the system toward which we are tending the system of natural liberty, but the word "natural" has been a stumbling block to others. If it is meant to imply something primitive, or something which would automatically exist in the absence of organized government, it is pretty certain that there never was any such thing as natural liberty except in imagination. Bullying of one by another would pretty effectually destroy the liberty of all except the more successful bullies. Such unorganized or unstandardized bullying according to the incalculable whims of a bully is much more destructive of liberty than the orderly processes of a government of law. Under a government of law, where the law is un-

derstood by everyone and where everyone knows who its administrators are, everyone can at least know what to expect, which would be impossible under unorganized bullying, banditry, or even rowdyism. A government of law resembles, in one respect at least, that of calculability, a law of nature, and the citizen can adjust himself to one about as easily as to the other. In the suppression of irresponsible and incalculable violence by responsible and calculable use of force, we have a legitimate field for the use of governmental authority.

Even though the orderly and calculable processes of law forbid many things which the individual would like to do, he is at least perfectly free to act as he will in the unforbidden field. This is something that cannot be said of any lawless condition. Under a lawless condition he can never know what he may or may not do; he can never feel free to act in any field whatsoever, because he can never calculate on the behavior of lawless men or tell where or when one of them may use coercion against him. Of course, a bad government may also be whimsical and incalculable in its acts and in that respect be little better than no government at all. Nevertheless, there is a definite gain in freedom when orderly and calculable coercion is used to suppress disorderly and incalculable coercion.

Freedom, however, is not the best word to describe the system toward which we are developing and toward which we have made considerable progress. At most, freedom could mean only the minimum of coercion by one human will upon another. Freedom from the coercion of physical laws, from the coercion of the general, imper-

sonal ideals of decency, or from the coercion of the physical results of his own deeds could not be meant, and in all fairness we must say that freedom never did mean this to any exponent of the doctrine of natural liberty. It was a political concept; it had to do with government, which is essentially the control of certain persons by others. Even in this sense, a somewhat clearer idea as to what every progressive society, in Sir Henry Maine's sense, is aiming at is conveyed by the term voluntarism, or the expression voluntary agreement among free citizens.

If we are to live and work together in great societies, we must have some method of coordinating our efforts. The easiest and quickest way to coordinate the efforts of large numbers of men is to impose one will upon them all and to compel them all to work according to a plan which one mind holds. Gradually, very gradually, in fact, men learned to coordinate their own efforts by agreeing upon one plan and upon the part which each should play in carrying it out. This was a cumbersome method at first, and applicable to only a few simple cases. It is even probable that our ancestors had to learn how to work under a system of voluntary agreement by long experience under authority. Instead of learning to govern themselves by the practice of self-government, they probably learned it through being well governed from above. Even the so-called Nordic qualities seem to correlate somewhat more accurately with a long training under Feudalism than with blondness or dolichocephalism. Feudalism was at least an orderly system and seems to have played a part in the civilization of northern Europe similar to that

played by the Roman law and the Roman administrators in southern Europe, and by slavery in the civilizing of the American Negro.

If one is ever convinced of the desirability of the widest possible extension of the method of voluntary agreement as the method of correlating the efforts of large numbers of men, it should not be difficult to convince him that some coercion, properly directed and reduced to an orderly system, is necessary for the realization of that condition. Coercion by an orderly and responsible government to repress coercion by disorderly and irresponsible individuals is, as shown above, at least necessary. In the absence of such repression, or in a condition where violence and coercion are freely practiced by one individual upon another, there is not much room for or encouragement of voluntary agreement. But where all forms of private violence are effectually repressed, individuals can work together on the basis of free contract with the minimum of interference.

Again, there would be a serious discouragement of voluntary agreement if, after an agreement had been made, and one party to the agreement had received all the benefit he could hope to get from it, he were then permitted to withdraw or to refuse to carry out his part. If that were permitted, men would have to be exceedingly cautious about entering into agreements with their fellows. A Japanese adage says, "Don't lend to a monkey unless you can climb a tree." If, however, an orderly and calculable coercive agency, that is, a government of law, will compel each party to an agreement to perform his part,

more men will be willing to enter into such agreements than would otherwise be the case. In short, the reasonable enforcement of contracts is a form of coercion which extends the practice of making contracts. The punishment of fraud accomplishes the same purpose. Without the safety which is given by the suppression of fraud, men would be much more cautious than is now necessary in dealing with one another on the basis of voluntary agreement.

It is sometimes considered a paradox to say that some limitation upon the freedom of the individual may be necessary for a larger freedom; but it is no paradox at all. Thousands of good illustrations of this may be found. One will be sufficient. The traffic policeman at a crowded corner occasionally restricts the freedom of an individual driver, but if he justifies his existence and regulates wisely, there is more actual freedom of movement on the part of all drivers. Traffic moves more rapidly and smoothly, and larger numbers are thereby enabled to do what they would like to do. This is a principle that applies to all justifiable regulations. Wherever such a result can be shown to follow regulation, regulation is justified; where it cannot, there is no justification for regulation. This, of course, opens the way for a considerable number of regulations, but it is not opening a floodgate. It does not mean that everything should be regulated which anyone thinks ought to be regulated. Every specific regulation proposed must be carefully and fully considered, and it must justify itself beyond a reasonable doubt. A traffic policeman who uses his authority beyond the point which

gives the maximum freedom of movement becomes an obstruction and a nuisance. So with every form of governmental authority.

Even freedom of contract, where there is neither violence nor deception, may be restricted under this rule. Freedom to buy and sell an opiate or a drug for which there is an intense appetite and which, when used, destroys the dependability of men in responsible positions and endangers the lives of large numbers of other people is certainly a subject for restriction. If locomotive engineers should be permitted freely to buy and consume such things, freedom to travel, on the part of the general public, would be considerably restricted. Restricting the liberty to buy and sell such drugs would considerably increase the freedom of the general public to travel by rail.

As an illustration of the extent to which sophistry may be carried, we may mention an objection somewhat commonly used by those who attack the system of voluntarism, which is that even a contract is a form of coercion. In so far as this merely means that under extreme conditions a necessitous man may, under the spur of dire necessity, make a contract that is greatly to his disadvantage, this argument would be well taken. That question, however, is discussed at greater length in the chapter of this book entitled "The Necessitous Man and the Law." We may say at this point, however, that the general direction of progress at the present time, especially in the United States, is toward the elimination of such extreme conditions.

Let us grant that a man out of work, who is not only

hungry himself but has a family in dire straits, is not free in any important sense; that is, the number of choices open to him are so few that he may be said to be under compulsion. A shrewd bargainer can dictate terms almost as effectively as a highwayman with a gun could do. The general development of our institutions, however, is putting fewer and fewer men in such a position of necessity. It is enlarging the number of choices open to each individual. The typical case is represented, let us say, by a man who has a number of dollars in his pocket, a small savings account, some industrial or other forms of life insurance, a family reasonably well fed, a position that pays him a living wage, and several other positions, almost as good, open to him whenever he cares to take them. When such a man is facing a seller of provisions, the seller is fully as anxious to get this man's money as the man is to get provisions from this particular seller. Our potential buyer of provisions knows that there are other stores around the corner which are also anxious to get his trade. It is reasonable to suggest that the man we are describing is a reasonably free man, so far as his dealings with his grocer are concerned. It is also capable of verification that most men in this country at the present time are in a position similar to the one we have described and that very few, if any, are in a position of dire necessity of the kind described earlier. When there is a general scarcity of labor, such a man is a free man, also, when he is facing an employer. He has several other jobs waiting for him and does not have to take the first one offered. This point is discussed more fully in the chapter on "The

Supposed Necessity for An Industrial Reserve Army."

In so far as men can be lifted out of the position of dire necessity in which the individual has very few choices and put into a position of reasonable affluence where each one has a large number of choices, it becomes true that voluntarism is something genuine and easily distinguished from coercion. Doubtless this looks like a truism to most people. It ought not to be necessary even to mention such a thing, but the fact is that a considerable body of literature has grown up recently which attacks even such a truism as this and asserts that every form of contract is a form of coercion—that there is no qualitative difference between holding a revolver at a man's head and demanding his money, giving him the alternative of paying money to you or receiving a severe physical injury, on the one hand, and threatening to withhold from a man a good which he desires unless he hands you his money. In both cases, it is asserted, you give the man two alternatives: one to give you his money, the other to suffer some loss or hardship. Quantitatively, it is of course, admitted that the hardship or the loss may be greater in the one case than in the other, but qualitatively the two cases are said to be alike in that the individual whom we are considering has two alternatives. Of course, the provision dealer, the employer, or whoever it is that is presenting the alternatives also has two alternatives, so he is equally coercing and coerced.

To begin with, it is not true that in both cases the individual with whom you are dealing is limited to two alternatives. The highwayman actually limits the man before

him to the alternatives of giving up his money or his life. The bargainer cannot limit the man before him to these alternatives. The man can turn away from his bargainer, giving up neither his money nor the thing desired, because he can get it of someone else. The tendency of modern progress is to give to every individual in whatever relation of life a large number of choices, thus definitely putting him in a position where he cannot be coerced or compelled to choose between two excruciating or even disagreeable alternatives. The tendency is more and more to use the coercion of an orderly and responsible government to suppress not only the highwayman who leaves his victim only two disagreeable alternatives, but everyone else, from the monopolist down to the lowest criminal, who tries in any way to reduce the number of choices open to those with whom they deal.

All such extensions of governmental authority tend to increase the field of voluntarism and make it possible for larger and larger numbers of human relationships to base themselves on voluntary agreement rather than on authority and obedience. Every authoritarian, in so far as he extends his authority, does the opposite. He gives the one over whom he exercises authority fewer and fewer choices, and these usually of a more and more excruciating or disagreeable nature. In the extreme case, he may exercise the death penalty and give his subject the two alternatives of do or die. In less extreme cases he merely presents less excruciating alternatives, to obey or to receive some positively disagreeable punishment. This at best leaves the subject a choice of two disagreeable alter-

natives, but the ordinary bargainer, under such conditions as we are making more and more common, is enabled to choose among a considerable number of agreeable alternatives—to choose, in other words, among several positive goods rather than between two positive evils. Even though in choosing one positive good he is compelled to give up several others, his freedom is much larger and the alternatives less disagreeable than when, as under authority, he has only the choice between two disagreeable alternatives, that is, between doing a disagreeable thing or receiving a disagreeable punishment.

Recent discussions have shown infinite possibilities of sophistry in dealing with a problem of this kind. One need not be confused by these sophistries if he will always apply the arithmetical test of the number of choices presented under the system of free bargaining on the one hand, and under the system of authority and obedience on the other.

VI

ECONOMIC EQUALITY

THE DESIRE for equality has been even more persistent than that for liberty. As De Tocqueville says:[1]

> During the period that has elapsed since the Revolution, the passion for liberty has frequently been extinguished again, and again revived. This will long be the case, for it is still inexperienced, ill regulated, easily discouraged, easily frightened away, easily overcome, superficial, and evanescent. Meanwhile, the passion for equality has retained its place at the bottom of the hearts it originally penetrated, and linked with their dearest sentiments.

Mussolini has been quoted as saying that while Italian working men had asked him for all sorts of things, such as better wages and working conditions, better schools, and so on, no real working man had ever asked for more liberty than he already had.

But while the desire for equality has persisted, our understanding of its real meaning has always been somewhat vague. In order that the desire for equality may express itself in the form of a clear-cut and rational policy, we must clarify our ideas as to what it really is.

To say that two things are equal means, of course, nothing. To say that two physical objects are of equal

[1] Alexis de Tocqueville, *The Old Régime and the Revolution,* translated by John Bonner (New York, Harper and Brothers, 1856), pp. 252-253.

length, breadth, thickness, cubic contents, or weight means something. Similarly, to say that men are equal means nothing until it is specified in what respects they are equal. It would mean something to say of two men that they are of equal stature, weight, physical strength, intelligence, or the like, but even in these cases the specifications should be very accurately stated. Ordinarily, however, when we speak of equality among men, we do not refer to any of these personal qualities—either physical or mental. We usually have in mind some social, economic, or legal aspect of their condition or status. If the government, through its administrative and judicial officers, treats all men alike, holding them to the same obligations, awarding them the same protection without bias or preference, we usually say that they are equal, meaning that they are accorded equal consideration and equal treatment. This, however, does not mean that the law-abiding person is treated in precisely the same way as the lawbreaker. We only mean that the law is of general application and that whoever breaks it, whatever his wealth, family, or social position, is punished equally; whoever obeys it, regardless of all such differences, is equally protected. If the government succeeds in establishing a rule of law and applies this law to all persons without favor or preference, the citizens of that government may be said to be equal in their political and legal relations.

The law may be unjust in other respects; that is, it may declare a thing to be a crime which, on rational grounds, might really be a virtue, or it might permit things which, on rational grounds, should be prohibited.

This presents a problem in itself, but it is not the same problem as that of equality, as the term equality is commonly used. To be sure, it may be argued that a law prohibiting the sale of cocaine except on a doctor's prescription does not give the same treatment to the one who wants cocaine that it gives to the one who wants some other article which is not prohibited. Or it might be argued that the individual who is particularly adept as a pickpocket or a burglar but who lacks the qualities necessary for plying useful occupations is not treated as well as the person who possesses skill in some accredited occupation. Many other arguments of the same kind could be used in the attempt to show that even a government of law, and one whose laws were just and equitable, did not really accord equal treatment to all persons; that even though a law against stealing may, on the whole, be socially useful, it does, after all, really discriminate against those persons who possess the qualities necessary to success in stealing and who lack the qualities necessary to succes in other occupations.

Whatever validity there may be in this form of sophistry, the inequality certainly is not as great as it would be if stealing were condoned in one person and punished in another. If the courts discriminated among persons on the ground of their social standing, family history, education, religion, or anything else, the degree of inequality would certainly be much greater than in the cases mentioned. In other words, a government that enforces a law against stealing and punishes equally all who steal, without regard to other considerations than the fact that they

committed the act, approximates much more nearly to equality than a government that made laws of this kind but administered them very unequally by showing favor and consideration to persons of wealth, political influence, or distinguished ancestry. Probably it is as much as can be expected of any government that it shall approximate thus closely to the ideal of absolute equality.

On the other hand, we sometimes speak of economic equality as distinct from political equality or equality before the law. But economic equality does not acquire a real meaning until we agree upon some definite basis of comparison. We can, for example, choose money income as a basis of comparison and then say, on that basis, that men are equal or unequal, as the case may be, or that the degree of inequality is very great or very little. But money income is not the only possible basis of comparison.

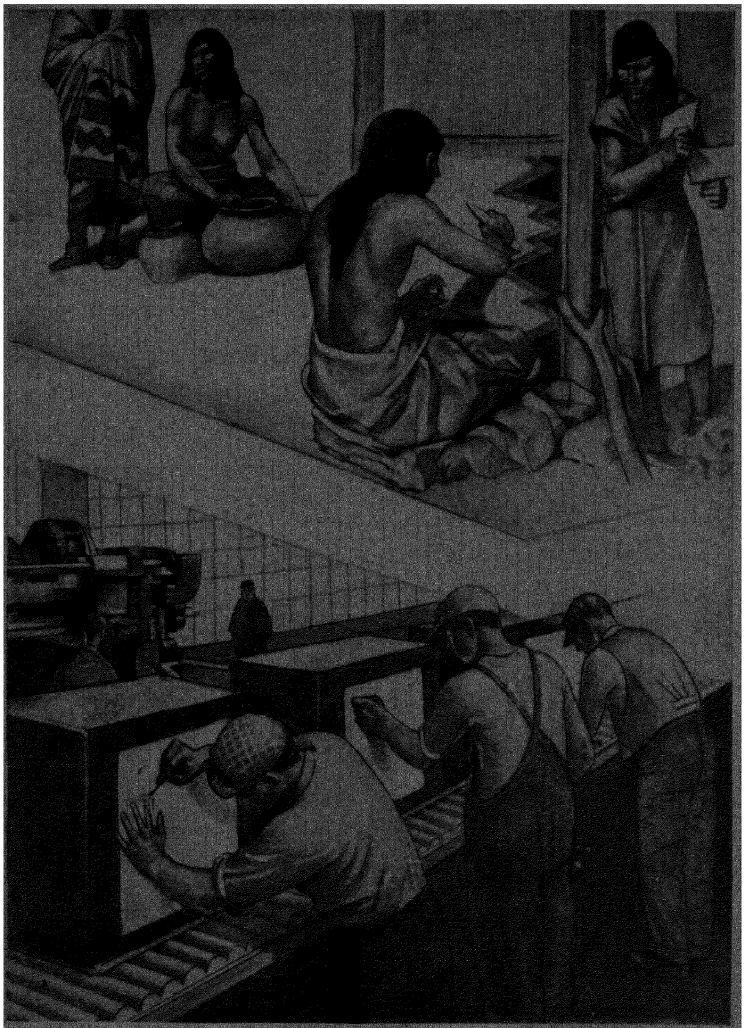
Even if we should agree upon a definite basis of comparison, such as money income, we may still compare men individually or we may compare groups or occupations. We may, for example, compare the average economic condition of all those who follow one occupation with that of all those who follow another. If we find that the average money income of one occupation is about the same as that of another, we may say that, as measured on that basis, there is economic equality between those two occupations, even though there might be wide differences of personal income among those who follow either of the occupations. However, as stated above, money income is not the only possible basis of comparison.

There are so many bases of comparison and so many

different aspects of the problem of equality and inequality as to make even a tentative outline desirable as a preliminary step before attempting any comprehensive discussion of economic equality. The following is suggested as such a tentative outline.

- Economic equality
  - Of opportunity for improving one's condition
  - Of actual condition
    - As among
      - Persons in same occupation
        - Equal pay for equal work
          - as to quantity
          - as to quality
        - Equal pay for each person regardless of quantity or quality of work
      - Persons in different occupations
    - As measured by
      - enjoyment
      - consumption
      - income
      - property
      - control of property

A little explanation of the meaning of terms used in this outline is perhaps desirable. The first and widest distinction made in the outline is that between equality of opportunity and equality of actual condition. The two are by no means identical. In other words, equality of opportunity is quite consistent with inequality of condition. Two runners may be given an equal start and equally good tracks on which to run. For these two runners, this might be called equality of opportunity; yet one might outrun the other and win a larger prize in the form either of applause or of pecuniary reward. In the enjoyment of these unequal prizes we should have inequality of condition. There are many who would apparently feel satisfied if we could achieve equality of opportunity, or give every competitor in the race for eco-



"The minute division of labor which has become a powerful factor in increasing production and advancing general prosperity itself creates problems, among which is that of occupational inequality."

nomic success equal conditions under which to compete. Others are not satisfied with equality of opportunity but want to achieve equality of condition, or at least a much closer approximation to it than has yet been achieved. Probably everyone would like to see a much greater approximation to equality of condition if it could be achieved without surrendering the principle of equality of opportunity. That is to say, if we could retain the principle of equality of opportunity and so train or otherwise help the different competitors that everyone could win a good prize and no one could win an inordinately large prize, that would be a highly desirable result. The real question of dispute is, to what extent we should surrender the principle of equality of opportunity in order to secure greater equality of condition.

Referring again to the illustration of the foot race, the attempt is sometimes made to secure what may be called equality of result by giving handicaps. If the committee on handicaps arranges the runners at the start, giving the slow runners considerable advantage over the fast runners in order that the runners may be as nearly even at the end of the race as can be foreseen, so that all can win equal prizes, we shall have an example of surrendering equality of opportunity for the purpose of securing equality of condition. In the race for success, shall the State or some other authority resolve itself into a handicap committee to place heavy burdens upon the swifter runners or the more efficient competitors in order that the less efficient competitors may secure equal success? Individualists generally oppose any such policy. However,

no individualist would oppose any policy which would give every possible outward opportunity for the less efficient competitors to acquire greater efficiency through universal or popular education, vocational guidance, friendly advice, or anything else that might achieve this result.

Another argument may be made against the idea that we can ever achieve equality of opportunity. The ground of this argument is that opportunity is not wholly objective; it is partly subjective. For example, if one athlete is built for lifting heavy weights and not for running, but is required to run for a prize in competition with those who are built for running, there is not equality of opportunity. Opportunity to run, in other words, is not a real opportunity for a man who is built like a Hereford bull. Similarly, it may be claimed that the man who possesses those qualities of nerve and muscle that would make him a superior gun fighter or hold-up man but who lacks all sense of commercial values or the skill and patience necessary to the carrying on of a productive occupation is not accorded equality of opportunity when he is forbidden to practise the occupation for which he is especially fitted, but is permitted only to compete in occupations for which he is not especially fitted. It may at least be said, in answer to this kind of argument, that in the highly complex economic society of the present there are a great many thousand different kinds of useful occupations calling for as many aptitudes and capacities. It would be very difficult, therefore, to find a man so highly specialized for crime as to make it impossible for him not to use his special aptitudes in some lawful and useful occupation.

When we come to discuss the question of equality of condition, it is important that we decide, first, whether we want equality as among persons or as among occupations. It will probably be agreed that equality among occupations is more important than equality among persons in the same occupation. If, on the average, those who follow one occupation are about as prosperous as those who follow another, most of us would be satisfied even though there were considerable differences among individuals in either occupation, provided such inequalities were based upon differences in the quantity or the quality of work done by the different persons. Equal pay for equal work, if it were achieved, would result in unequal pay for different persons; or, to state it in another way, equal pay for all persons would be unequal pay for equal work.

In comparing work of different persons, the quantity of work done, whether measured in terms of hours or intensity, is less important than the quality, except perhaps in the very lowest grades of muscular work. In these cases the question of quality is probably less important than that of quantity. In all skilled manual work, and especially in the professions and other intellectual occupations, differences of quality are of much more importance than differences of quantity. Two artists might work equally hard and yet their products or their services might be of vastly different value. The same may be repeated of lawyers, doctors, surgeons, engineers, or managers. Equal pay for equal work in these cases might give the individual whose work was of superior quality many times the income enjoyed by another individual in

the same occupation whose work was of inferior quality. To insist upon equal pay for each person, regardless of the quality and quantity of work done, would mean very unequal pay per unit of work or unit of value created.

A much more difficult and somewhat less familiar problem arises when we attempt to compare the economic conditions of two different persons. Their condition may be said to be equal if they have equal enjoyment; or, if one gets more fun out of life than the other, their condition may be said to be unequal. This, perhaps, is too much a problem of temperament to be of much interest to the economist. The individual's capacity for enjoyment is probably beyond the power of legislative or economic forces to control. The quantity of goods consumed by each individual comes somewhat more definitely into the field of economic analysis. If two individuals consume equal quantities of goods, their economic condition might be said to be equal; or unequal if they consume different quantities. The quantities in this case would probably have to be measured in terms of value or price. We could write the sign of equality between the consumption of two individuals only if they consume goods that cost equal sums of money.

Two persons may consume equal quantities even though their incomes are different, or consume different quantities even though they have equal incomes. One reason is that one may consume a larger proportion of his income than the other, the other spending a larger part of his income for future development, either of himself, his family, his business, or his community. In other words, he may in-

vest a part of his income for the future, he may give it away, or otherwise dispose of it without actually consuming it himself.

Instead, therefore, of comparing the economic conditions of different individuals on the basis of their actual consumption, some may prefer to compare their money income and to say that their economic conditions are equal if they have equal incomes or unequal if they have unequal incomes. But again, there may be a wide difference between income and the ownership of property. Many a person enjoys a large income who owns practically no property—none, at least, beyond a few personal effects, such as clothing and household furniture. Many an owner of property gets very little income from it, so there may be great differences of ownership among people who have equal incomes or great differences of income among people who own equal quantities of property.

Again, one may own considerable property and yet exercise very little direct control over it. The tendency at the present time seems to be toward a wider and wider diffusion of ownership and greater and greater concentration of control. This is made possible by the corporate method of business organization. Large-scale production requires large quantities of capital for the equipment of a given industry. This capital may be contributed by thousands or hundreds of thousands of small investors, and yet the actual management of the corporation may be concentrated in the hands of a few, that is, in the hands of a small board of directors and officials.

The question is, therefore, shall we compare the eco-

nomic conditions of different individuals on the basis of their enjoyment, of their consumption, of their incomes, of their property, or of their control over property? In this country, at the present time, it seems that the inequalities increase as we proceed from one basis to another in the order in which they have been named; that is, the inequalities of enjoyment are usually much less than the inequalities of consumption, the inequalities of consumption less than those of income, the inequalities of income less than those of ownership, and the inequalities of ownership less than those of control or management. In other words, the greatest inequalities are found, first, in control or management, second, in ownership, third, in income, fourth, in consumption, and last, in enjoyment. Certainly, this is the case if we except the very poorest classes, who may be suffering from physical want, and consider only those classes who are above that basic line of actual physical suffering.

The difference in enjoyment to be derived from a Ford and from a Rolls-Royce is by no means commensurate with the difference in the cost. Doubtless a high-powered and expensive automobile gives more satisfaction than a cheap one, but the increase in satisfaction, under the marginal analysis, does not keep pace with the increase in cost. A small cottage or a neat appartment can hardly be expected to furnish as much total satisfaction as a mansion or an expensive suite, but here again the increase in satisfaction does not increase in proportion to the increase in cost. One article of consumption may cost ten times as much as another, but it usually does not furnish ten times

as much satisfaction or enjoyment. If it furnishes even twice as much, it is doing pretty well.

In this country the differences in consumption—in the money spent for consumers' goods—are generally less than differences in income, even though we consider only net income after taxes are deducted. The classes with large incomes have, in the past, done most of the investing in new enterprises and have made the largest contributions to public causes. In other words, they, on the average, actually consumed a smaller percentage of their incomes than the classes with smaller incomes. This is probably still the case, though we are finding at the present time that large numbers of people with relatively small incomes are furnishing a great deal of capital, either directly or indirectly, for the financing of new enterprises. Sometimes they furnish it directly by investing in the bonds or stocks of corporations. More frequently they furnish it indirectly by depositing in savings banks or buying life insurance or paying dues to labor unions, which dues are accumulated in considerable funds and sometimes invested in productive ways.

It is demonstrable that differences of income are less than differences of ownership of property. Large numbers of families own no property at all except, as stated above, their personal effects and household furniture. The number of families that receive no income is a negligible fraction. And finally, ownership is much less concentrated than control, and the difference is becoming greater from year to year. Larger and larger numbers of people are investing in the shares of corporations.

There is a phenomenal increase in the number who hold insurance policies. The holder of an insurance policy, in an indirect way, owns the assets of the insurance company and also the securities in which the insurance company has invested its funds. The control of the assets of the insurance company is, of course, in the hands of a small group, as are the affairs of the industrial corporations in which they have been invested.

Most of the startling figures regarding the awful concentration of wealth in this country relate to the control of industry or to the ownership of it. Figures as to the inequalities of income are somewhat alarming, but they do not furnish the alarmist with quite so much thunder as those which relate to ownership or control. Inequalities of consumption are seldom mentioned except to point out some of the extreme cases of dire poverty or of senseless extravagance. Inequalities of enjoyment are never used to excite a crowd at a ball game, a movie theater, or even at a political meeting. The masses of the people on whom elections depend experience such small differences of actual enjoyment as to make them complacent, even while listening to speeches on the awful concentration of wealth in the country. They all realize that one person in this great middle group that includes the mass of the people has about as much fun as another.

With all the differences in personal income that still exist—and they are considerable—the case is not so alarming as it might be made to sound as long as these differences of personal income are a reflection of differences in the quantity or especially in the quality of the

work done. But it is practically impossible to compare either the quantity or the quality of the work done by two men who are engaged in widely different occupations. It may be difficult to say which of two actors is the better actor or which does the higher quality of work, but that difficulty is by no means so great as it would be to say whether a given actor does better work than a given stone mason. In the latter case the difficulty is insurmountable. The nearest approximation we can probably make to a valid comparison would be to say, more or less arbitrarily, that the work of a first-rate stone mason is probably of as high quality as the work of a first-rate actor, that of a mediocre stone mason as that of a mediocre actor, and that of a poor stone mason as that of a poor actor; that is, to assume that different occupations are of about equal merit as to quality and that the man who does excellent work in one is probably doing work of as high quality as the man who does excellent work in another. On the basis of this sort of assumption, we should have to conclude that occupational equality of income is desirable, or, in other words, that the average income throughout one worthy and useful occupation should be about as high as the average income in any other useful and worthy occupation.

More definite comparisons may be made between workers in the same occupation. It would be fairly easy, for example, to determine whether one stone mason does a larger quantity of work than another. It would be somewhat more difficult, but by no means impossible, to determine whether one did work of a higher quality than

another. The same might be said of those who follow any other occupation. So long as they are doing the same kind of work, both quantitative and qualitative comparisons are possible. On this basis we could justify considerable inequalities of personal income within a given occupation if we assume that equal pay for work of equal quantity and quality is desirable. We could scarcely justify higher average income in one occupation than in another for the reason suggested above, that it is impossible to compare entirely different kinds of work on the basis either of quantity or quality.

In comparing the incomes earned by people in different occupations, we must have in mind average incomes rather than extremes. The mere fact that one movie actor receives a vastly larger income than any plumber or stone mason receives does not in itself indicate that the occupation of the movie actor is, on the whole, more prosperous than that of the plumber or stone mason. The failures as well as the successes must be taken into consideration. Again, the mere fact that one business manager receives a much larger income than any manual worker does not prove anything. Moreover, the fact that one independent business man who assumes most of the risks of business happens to win a very large income must be balanced against the large number of failures in this hazardous occupation. As a matter of fact, in spite of all that has been written against profits, it has not yet been shown that business men as a class make any profits at all.

In order to elucidate this point, it is necessary to refer to one of the commonest of all statistical errors, that of

taking a selected body of cases and basing one's statistical calculations upon that selected list. For example, those who make a study of conspicuous geniuses are impressed with the capacity of the men whom they study to forge ahead and do great things in spite of adverse circumstances. Basing their conclusions on this selected body of cases, they are very likely to reach the conclusion that the born genius is more or less independent of circumstances or environment and that he will achieve success in spite of a bad environment.[1] The difficulty with this conclusion is that the cases studied have been automatically selected by circumstances. Only those who have achieved a reputation as geniuses are studied, and these are obviously the ones whom circumstances could not down. The statistician has no means whatsoever of finding out whether there may not have been hundreds of other cases of potential geniuses who never achieved standing as geniuses because of adverse circumstances.

Another error of the same kind is made by those who study cases of the opposite sort—the failures of life or those who turn criminal. Those who actually commit crime in the face of all the discouragements that society places in their way in the form of threats of punishment are obviously those whom threats of punishment did not deter from the commission of crime. Confining their attention to these selected cases, certain investigators have reached the conclusion that fear of punishment does not deter from crime. The only conclusion which they are

[1] This was Galton's conclusion. See *Hereditary Genius* (New York, The Macmillan Company, 1892), pp. 34-35.

justified in reaching—that is, the only conclusion which is contained in the premises—is that those who actually committed crime in the face of threats of punishment were not deterred by those threats of punishment from committing crime, which is precisely what they knew before they began their investigations. The statistician has no means whatsoever of finding out how many cases would have committed crime had there been no threat of punishment.

These two illustrations are used merely to show the prevalence of that fallacious method of reasoning in other fields than that of economics. A student in economics who finds that those business men who have remained in business for a long period of time are actually making profits and that all their profits amount to a considerable sum is also studying a selected body of cases. The trial and error of business competition has eliminated the failures and preserved the successes, and by confining his attention to those that were preserved and omitting all those that failed, the investigator reaches a false or at least an unproved conclusion, namely, that business men as a class make profits or that the profits of those who succeed more than balance the losses of those who fail.

In general, those occupations which show the most conspicuous fortunes, such as acting for the movies and undertaking new business enterprises, are the ones that experience has proved to be most hazardous and in which we find the largest percentage of failures. Bearing this fact in mind, we shall probably reach the conclusion that occupational inequality in this country is much less than has

commonly been imagined. This, however, is not denying that there are still great inequalities in the prosperity of different occupations.

The idea of equal pay for equal work involves another problem of some difficulty, that is, if we go beyond the crude labor-time method of comparing work and leave out questions of quality altogether. That is the question of appraising the real value of work. How much is a given thing worth, whether we are considering a commodity or a service?

In order to answer this question we must consider two rival theories of value, namely, the cost theory and the utility theory. Not only in the field of economics but in the field of morals as well, a great many people in the past have assumed that value was closely correlated with cost or sacrifice. Not only was the value of an economic good supposed to be determined by the cost or sacrifice involved in producing it, but the merit of an act or of a form of conduct was supposed in some way to depend upon the sacrifice incurred by the doer. However useful an act might be, if it cost the doer no sacrifice, it has frequently been assumed that he acquired no merit by his performance. By the same reasoning, however useless an act might be, if the doer incurred a heavy sacrifice in doing it, in some way it was supposed to redound to his credit.

From the standpoint of antiquity, perhaps also from the standpoint of the weight of written opinion, this theory has some advantage over the utility theory. The latter theory, however, has some other advantages. Under this theory the value of an object or a deed is in

proportion to its usefulness rather than in proportion to its cost. A work of art may have cost its producer nothing in the way of sacrifice; he may have enjoyed every minute of the work of its production, and yet the product may be of the very greatest value. The product of a bungling, uninspired artist may have been produced by hours of wearisome and tedious labor and yet be worth nothing. According to the utility theory, there is a much closer correlation between usefulness and value than there is between cost and value.

Whatever the weight of written opinion may be as to the respective merits of these two theories, in the making of practical, everyday choices the mass of mankind regularly and consistently act upon their concept of utility rather than their concept of cost in evaluating things and services. We generally pay for a thing in proportion to how much we want it without regard to how much it cost the producer. While our desire is not necessarily a measure of utility, yet we ourselves generally think that it is at the time when the desire is felt. As to other people's desires, we may feel quite certain that they are unsound. Even our own desires of yesterday may seem quite foolish today. However, we need not quibble over such questions. It is fairly certain that we evaluate things more nearly in accordance with what we think their utility to be than in accordance with what we think their cost to have been.

Some confusion of thought has arisen on this subject, especially among those who deliver written opinions upon it, because of their failure to focus attention upon the

actual, specific thing that is evaluated, or because of their tendency to focus attention rather upon the class to which it belongs or even upon a sort of Platonic concept of the thing "in itself." Not infrequently is it stated that the most useful things in the world have no value. Air is used as a common illustration. This statement of opinion, however, fails to distinguish between air in general and a concrete quantity of air, such as a cubic yard. As a matter of fact, we do not buy and sell things in general. We buy and sell specific quantities or units of these things. We are seldom called upon to evaluate the horse in general. Every buyer and seller of horses, however, is called upon to evaluate some particular horse. If that particular horse is much wanted, or if there are individuals who think it would be highly useful to them, they will consider this a sufficient reason for paying a high price for it, regardless of the value of the horse in general to mankind at large.

In some well watered countries the value of a gallon of water is very small for the simple reason that that particular gallon is not desired by any particular person, in spite of the fact that it could be demonstrated that water in general was worth infinite sums to mankind in general. In other locations a particular gallon of water may command a price because it is strongly desired by certain definite persons. They consider that particular gallon to be highly useful to them. The same method of reasoning must apply to everything that is evaluated. Labor in general may be highly useful to mankind in general, where the labor of a particular man may not be worth anything

to anybody in particular for the reason that he is not able to do anything that anybody wants done. It would be useless for him to demand a high price for his labor on the ground that labor in general was worth infinite sums to mankind in general.

Confining our attention, therefore, to specific units or quantities and to the circumstances of time and place when and where they happen to be found, we find a very close correlation between the desirability of a thing and its value, or the evaluation which men place upon it. In so far as there is a divergence between desirability and usefulness, it is mainly due to mistaken opinion as to usefulness.

The apparent divergence between many written opinions on value and the practical choices that men make in everyday life is generally based upon a difference in the things that are really being considered. One who gives forth a written opinion is more likely to be thinking about abstractions, to be considering such abstract questions as what the horse is worth to mankind, or what air or water is worth to mankind, than about the question of what a given horse is worth to the men who are thinking about buying it, or how much a given cubic yard of air or a given gallon of water is worth to possible buyers. But in the practical choices made by everyday men in their dealings with one another they almost never have in mind these general or abstract questions. They are fundamental realists, dealing with concrete things in particular situations. In this sense at least we are safe in saying that their estimates of utility rather than their estimates of

cost determine the value which they place upon a thing or a service.

The contrast between the two theories is well expressed by a leading humorist who makes one of his characters say that a hat is worth as much as it cost, to which the other replies that "a hat is worth as much as I want it."

From the standpoint of social well-being, the utility theory of value has more applications than the cost theory. If a thing is very useful, it is highly important that its production should be stimulated. If it is not very useful, it is not very important that its production be stimulated. One way of stimulating the production of a thing that is very useful or much needed is to reward men for producing it. Rewards, of course, may be of many kinds but they must have at least one characteristic in common: they must be something desired by the producer. To give him something that he does not care for is no reward at all. If he cares for money, the offer of money is the offer of a reward. If he cares for popularity or esteem, then these are rewards. The man who produces something that is very useful or much needed may be encouraged by offering him any of these things that he happens to desire. If this is done, however, the one who produces a thing which is much needed will receive a larger reward than the one who produces a thing which is not much needed.

We would not escape from this situation even if we gave up all pecuniary rewards and offered social esteem as the reward for doing useful things. If one received more social esteem than another, there would be inequality of

reward just as definitely as though one received more money than another. The dilemma is unescapable. If men do not care for esteem, it is no reward and will not stimulate endeavor. If they do care for it, inequalities of reward will produce exactly the same jealousies and heart-burnings when the reward takes the form of social esteem as when it takes the form of money. The same problems of justice would arise out of the inequalities in the distribution of esteem as now arise out of the inequalities in the distribution of money. Moreover, the debasing effects on personal character are quite as great in the case of an inordinate love of esteem as in that of an inordinate love of money.

If we adhere to the very reasonable opinion that justice consists in rewarding people in proportion as they contribute to general well-being, which would seem to be a corollary of the utility theory of value, then justice would require that he who produces a thing of one kind or another which is much needed should receive a larger reward than he who produces a thing which is not much needed. To reward them equally, regardless of the usefulness of the things done, would, from this point of view, be positive injustice. In other words, justice does not reward equally except in those cases where the work or the product is of equal utility.

The utility of a product or a service is in proportion to the intensity of the need which it satisfies. It is necessary, in order to determine the intensity of a given need, to find out how nearly it is satiated. If there were very little water to be had, the need for water would be very

great, and he who would bring an extra gallon of water to a community thus situated would be rendering a very great service. Where water is abundant and the need not very great, it would be no great service to bring more water. This is a principle that applies to every possible product or service. The engineer who would conduct water to a dry region does a more useful thing than the one who conducts water to a region that is already well supplied. If usefulness is to be the measure of reward, the reward of the former should be greater than that of the latter, whether the reward takes the form of esteem or money.

The same principle applies to different kinds of work that have to be coordinated in the production of a given commodity. In the construction of irrigation works, an engineer may be more needed than a ditch digger, for the simple reason that there are fewer engineers. One ditch digger more or less might make very little difference in the speed with which dry areas could be irrigated. One engineer more or less might make a great deal of difference. In such a situation it is much more important to the community that it stimulate the immigration or the training of engineers than of ditch diggers. One good way of stimulating the immigration or the training of engineers is to offer them what they want—money, esteem, power, or something else. If this is done, however, engineers will be receiving more than ditch diggers—not because they work harder or because the work costs them any more fatigue, but because of the sheer fact that their work is worth more to the community.

If we could imagine a community in which the opposite conditions prevailed—that is, one in which there was a surplus of engineers but few who had the strength, skill, or willingness to dig ditches—in such a case irrigation would be facilitated more by getting a few additional ditch diggers than by getting a few additional engineers, or retarded more by losing a few ditch diggers than by losing a few engineers. It would be to the interest of the community to try to stimulate the immigration of ditch diggers, and one way of doing that would be to offer them large rewards for coming. If value is based on utility, a ditch digger would then be worth more than an engineer. If justice is based on value, it would be just that he should receive more than an engineer. Equal pay for work of equal utility would result in very unequal pay for different persons.

There are still other difficulties in the way of a perfectly clear understanding of equality. One of these arises from the fact that there are certain large utilities and disutilities that come to all alike, in which there is substantial equality, or if there are inequalities, these inequalities are entirely independent of such things as material wealth or the individual's standing in the community. Moreover, these utilities and disutilities, which are the heritage of our common humanity, loom large in the eyes of those who understand and make such things as differences in material wealth and social esteem seem trivialities. The best things in life are open to all alike. Only the marginal, the less important, things are unequally distributed. The sunlight, the air, the sky, the clouds, the

foliage, family affection, friendships, are the things we would miss most if we were deprived of them, and yet they are distributed with some degree of equality.

We are, however, so constituted as to make us ordinarily indifferent to such things. For excellent evolutionary reasons, we have been compelled through thousands of generations to ignore or forget the things that are sufficient and to concentrate our attention upon the things that happen to be scarce. There was no survival value in taking thought for things that we already possessed in sufficient abundance. If there is anything of which you can say, "More of it, more well-being, less of it, less well-being," that is the thing to which we must devote our attention if we are to improve our well-being. Devoting attention to such things has always had survival value. There was no similar reason why we should devote our attention to other things. Survival or extinction has depended upon our ability to get more of the things that we lacked, not upon our getting more of the things of which we had an abundance. Our motives and our sense of values have developed in response to this need till we have become a kind of being whose sense of value is determined by the fact of scarcity. Where there is need for action, there is need for a motive to action. There is need for action with respect to anything that is scarce, and evolutionary selection has to preserve those whose motives to productive action have been determined by the fact of scarcity.

Of course, we have also been powerfully motivated to destructive action. The evolutionary purpose of this

motivation has been to stimulate us to exterminate that which was so abundant as to threaten our extinction. Whether the objects which threatened our extinction were human or subhuman enemies, in either case our well-being was increased as they were thinned out. This militant or destructive action which leads to the thinning out of other objects, and economic or productive action which leads to the increase of the objects of such action, have both been determined by survival values. This explains why, in spite of the fact that the larger utilities of life come to all alike, we are always worried about the few and unimportant things that are now scarce. In a militant age we were greatly worried about the things that were too abundant. Such things have now been reduced to the category of weeds, insect pests, and disease germs. The useful things concerning which we are worried because of their scarcity, or the things which occupy so large a place in our everyday thinking, are commonly called wealth.

They not only loom large in our everyday occupations, but their inequalities worry us more than things of ultimately greater consequence. Any inequality in the possession of scarce things makes a deeper impression on us than the equalities that exist with respect to things that are sufficient for everybody.

In spite of the vast amount of alarmist literature that has been issued during the last two generations on the subject of the appalling inequalities of wealth, a strange and almost unaccountable complacency has been shown by the masses of people. If the somewhat startling figures concerning the concentration of wealth meant what the

alarmists have tried to make them mean, this complacency could be explained only on the ground of extreme stupidity.

Why have the people remained so complacent? The explanation is probably found in the facts that have been pointed out in this chapter. First, that the really great utilities and disutilities come to all alike, without regard to differences of wealth or popular esteem; second, that even with respect to material wealth, the differences in actual enjoyment are much less than the differences of ownership and still less than the differences of control. The masses of the people have recognized the necessity of concentrated control if we are to have large organizations functioning in either industry or government. They have realized that this concentration of control does not necessarily mean concentration of enjoyment, but that a considerable degree of concentration is consistent with a rather wide diffusion of money incomes and with a still wider diffusion of enjoyment.

Of course there is, in addition to all this, a certain skepticism as to the actual validity of the alarmist's figures as to concentration. Figures might actually show a high degree of concentration of control even though there was an absolute equality of satisfactions enjoyed or even of money incomes. To begin with, under our system, which is sometimes called individualistic but which is more properly, in many of its aspects familistic, it might easily be shown that the great majority of our people have no incomes at all; that is, the women and children of many families are not actually earning incomes. Suppose half

the income receivers own no property outside of clothes and household furniture. This would show a great deal of concentration of property, in spite of the fact that there was inequality of incomes among families. Then, if the property were owned by large organizations, either co-operative societies or joint stock companies, the control of it would be still further concentrated in the hands of a few directors. Even though there were absolute equality in the essential thing, namely, satisfaction—which, of course, there was not—someone could show a very high degree of concentration in ownership or control.

Suppose, for example, there was what we call occupational equality; that is, that one occupation, on the average, counting all the ins and outs, attractions and repulsions, gains and losses, was about as prosperous as any other. There might still be considerable differences of personal income within each occupation. Suppose, in addition to all this, that in the average family of four people only the head of the family received an income. Then someone could truthfully say that 75% of the people have no income, that the entire national income is concentrated in the hands of 25%. Suppose it were further true that half the income receivers own no capital. It could further be said that 12½% of the people of the United States own all the capital and that 87½% own none. If there were enough personal inequalities within certain occupations to show still further concentration, even though there were equality as among occupations, this inequality might be still further reduced to a much smaller percentage, say 6¼%. In that case, in spite of the fundamental

equality, the figures would still show that 6¼% of the population owned all the capital. If a large proportion of this property were owned by cooperative societies and joint stock corporations, it might then be true that much less than 1% of the people controlled 99% of the capital. These figures might be strictly correct, and yet there might be fundamental equality throughout the country—equality of average money income among occupations, equality of enjoyment on the average among those plying different occupations, and so on. Under these conditions the consciousness on the part of the common run of citizens that they were all having an equally good time, so far as this is dependent upon material wealth, would naturally give a feeling of complacency even on the part of the intelligent majority. In other words, the complacency that would be shown under such conditions would not be due to ignorance but to intelligence and discrimination.

It is probable that we are approximating much more nearly to this ideal of equality in the United States than most of us have been able to realize. It is certainly true that there is no inherent reason why we might not, at some time in the near future, approximate pretty closely to it. We seem, at the present time, to be making definite progress in that direction.

VII

EQUALITY BEFORE THE LAW

EQUALITY before the law was the unvarying objective in the construction of the American government. Its founders had been suffering from a government before which all men were not equal, especially those who lived in its colonies. As evidence that their brethren in Great Britain enjoyed a reasonable degree of equality before the law, these colonists had but to read the *Commentaries on the Law of England* by Sir William Blackstone. Ten years before the beginning of the American Revolution this great classic had been published; it expounded laws and usages of long standing.

The idea and practice of this political or civil liberty flourish in their highest vigor in these kingdoms, where it falls little short of perfection, and can only be lost or destroyed by the folly or demerits of its owner[1] . . . . The absolute rights of every Englishman . . . . are coeval with our form of government.[2] . . . . These may be reduced to three principal or primary articles; the right of personal security, the right of personal liberty, and the right of private property. . . . . The right of personal security consists in a person's legal and uninterrupted enjoyment of his life, his limbs, his body, his health, and his reputation.[3] . . . . This personal liberty consists in the power of locomotion, of changing situation, of moving one's person to whatsoever place one's own inclination may direct, without imprisonment or restraint, unless by due course of law.[4] . . . .

[1] I Blackstone 126. [2] *Ibid.*, 127. [3] *Ibid.*, 129. [4] *Ibid.*, 134.

The third absolute right, inherent in every Englishman, is that of property: which consists in the free use, enjoyment, and disposal of all his acquisitions, without any control or diminution, save only by the law of the land.[1]

Though these rights and liberties—emphatically, even boastfully, acclaimed by Sir William Blackstone—were being enjoyed by Englishmen of Great Britain, they existed only in theory for Englishmen of the American Colonies. Repeated efforts to induce the government of the mother country to recognize these rights having failed, the colonists resolved to throw off that government and to establish a new one whereby an equality before the law would be secured.

In proclaiming this resolution to the world they began their justification with the sweeping premise that "all men are created equal." They did not profess to be announcing a novel philosophy; it was of such ancient origin that they accepted it as a self-evident truth. It was a conception taken from the Law of Nature, a theory having its beginning in classical antiquity. The philosophers of ancient Greece conceived the idea that reason is the guiding principle of the universe, that the rules revealed by natural reason are the ideal toward which men should direct their acts, that the expression of these rules is the law of Nature.

The law of Nature, developed as a theory by Greek philosophers, was applied in practice by Roman jurists. It gradually made Roman law more equitable and better suited to practical needs. The ideas that the law of Na-

[1] *Ibid.*, 137.

ture is the source of morality and the ideal of positive law, that mankind forms one natural community, that all men are equal before Nature, gradually pervaded the Roman mind.[1] These ideas represented, however, an ideal toward which society was moving rather than an actual basis on which it was built. Though Roman jurists employed the law of Nature to render their positive law more beneficial and equitable, they halted this tendency within practical limits. They frequently used the term "reason" as equivalent to common sense and convenience, a conception that approximates "utility" as the basis of law.[2]

With the rising power of the Christian church, the law of Nature acquired an added significance; it was identified with the law of God. During the Middle Ages, however, the theory of natural law enjoyed less practical application than among the ancient Romans. It was used less in the sphere of pure law than in theology and ethics, in speculation and political controversy.[3] Though the Christian church taught the equality of men before God, its influence, along with that of the feudal lords, arrested the development of individual liberty in medieval times, except among the privileged classes.[4] Feudalism continued in France until the Revolution of 1789, but it began to decline in England during the Middle Ages. The privileged classes employed the aid of the lower classes in restricting the power of the king, and, as a result, increasing liberty

[1] Bryce, *History and Jurisprudence*, p. 578.

[2] *Ibid.*, p. 587.

[3] *Ibid.*, p. 595.

[4] Scherger, *Evolution of Modern Liberty*, p. 34.

was extended to the lower classes. In 1215, Magna Carta guaranteed liberties not only to the barons but to all "freemen."

The religious Reformation of the sixteenth century began as a demand for freedom of conscience, but it led to a demand also for freedom in politics and law. In the agitation which followed, the law of Nature acquired a new meaning; it was associated with the conception of a "state" of Nature. This change was momentous. The law of Nature had hitherto been only an ideal toward which positive law should be guided, a perfection gradually revealing itself in the education of the human race. The "state" of Nature was now alleged to have been a pre-political age in which conditions had been perfect, a perfection which civilization had corrupted; since the law of Nature had actually prevailed in that perfect "state," it could and should be restored.

Among the brilliant exponents of the new theory were John Milton, Algernon Sidney, James Harrington, and John Locke. All of them declared for individual liberty and the natural equality of men; all of them were diligently studied in the American colonies. Most prominent among these as an influence on American thought was John Locke. He argued that natural law issues from reason, that it is prior to all governments, that it entitles men to vindicate their natural rights against tyranny.[1] The framers of the American Declaration of Independence invoked the philosophy of John Locke to declare as

[1] Locke, *Two Treatises on Civil Government;* Bryce, *History and Jurisprudence,* p. 598.

a self-evident truth that "all men are created equal."

Though the law of nature as a constructive theory had developed, or degenerated, into a destructive political force—later demonstrated by the excesses of the French Revolution—the founders of the American government, like the great jurists of ancient Rome, restrained themselves by practical common sense. They knew that a "state of Nature" could be nothing but savagery, that "history is the laboratory of politics,"[1] that the remedy for existing evils lies in profiting by the experience of the past. In their Declaration of Independence they employed a sweeping phrase from the idealistic philosophy of the law of Nature: "all men are created equal." As they were drafting a declaration of war, they did not pause to specify in what respect all men are created equal. They trusted the common sense of mankind to give the words a practical interpretation. They knew that all men are not created equal, for example, in physical, mental, and moral strength. Even John Locke did not include all sorts of equality,[2] though he believed in a "state of Nature" as well as in the equality of men.

As soon as the founders of our government had established their independence, they furnished an abundance of evidence that their conception of equality was equality before the law. Every provision of the new state and Federal constitutions was drafted to make that ideal a practical reality. These provisions were carefully selected from the experience of history as far as available and appro-

[1] Richie, *Natural Rights,* p. 103.

[2] Locke, *Two Treatises on Civil Government* (Morley's edition) p. 217.

priate. As a result, the founders of our government precluded tyranny, whether of one man, a group, or a multitude; they secured a reign of law and not a Reign of Terror; they instituted a government that has endured for nearly a century and a half, under which all men are equal before the law.

Though the new Constitution of the United States did not employ the phrase "equality before the law," it was the most comprehensive safeguard for equality before the law that the world had yet seen. The people, however, were not entirely satisfied; the instrument did not contain a bill of rights. They were determined that their recent sad experience should not be repeated. Though the "unwritten" constitution of their former government was supposed to secure a reasonable degree of individual liberty, a ruler who had inherited his ideas from a German despotism had invaded their rights. As a further guaranty that the new Federal government should not do the same, they immediately annexed a bill of rights to the new Constitution in the form of amendments, thus placing such rights as freedom of speech, freedom of the press, freedom of religion, security of property, personal liberty, and trial by jury beyond the reach of the Federal government. They provided that no person should "be deprived of life, liberty, or property without due process of law." Even then they did not employ the phrase "equality before the law." With their new machinery for making constitutional provisions effective—a coordinate judicial power—they were satisfied with a phrase that had been sanctioned by the experience of ages, "due process of law."

The phrase "due process of law" has its origin in Magna Carta, wrested from King John by the English people at the remote date of 1215. In that historic document the crown was forced to guarantee that "no freeman shall be taken or imprisoned or disseised or exiled or in any way destroyed, nor will we go upon him, except by the lawful judgment of his peers or by the law of the land."[1] The phrase "law of the land" has long been rendered "due process of law"; the expressions are used interchangeably in constitutional law and are identical in meaning.[2]

Though the American concept of "due process of law" was taken from English traditions, it immediately received a wider application. In England it limits the executive power only; in the United States it applies to the judicial and legislative powers as well.[3] The innovation is warranted. Law is something more than a legislative act, something more than mere will exerted as a result of power. It must not be a special rule for a particular person or a particular case, but the general law whereby every citizen shall hold his life, liberty, property, and immunities under the protection of the general rules which govern society. Arbitrary power, enforcing its edicts to the injury of the persons and property of its subjects, is not the law, whether manifested as the decree of a personal monarch or of an impersonal multitude.[4]

[1] Magna Carta, chap. 39.

[2] II Coke's *Institutes*, p. 46; I Cooley's *Blackstone*, p. 134 note.

[3] *Murray's Lessee* v. *Hoboken Land Co.*, 18 How. 272, 276.

[4] *Hurtado* v. *California*, 110 U.S. 516, 535, 536.

Though the bills of rights in the constitutions of the several states[1] as well as the Fifth Amendment to the Federal Constitution had provided that life, liberty, and property should be regulated only by due process of law, events culminating in the Civil War convinced the people that they needed an additional safeguard against the arbitrary acts of state governments. They stipulated in the Fourteenth Amendment to the Federal Constitution that no "State" should "deprive any person of life, liberty, or property, without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws." The immediate object of this amendment was to secure for the newly created citizens of African blood an equality before the law, but its scope is infinitely wider; instead of the term "citizen," it employs the more inclusive term "person," thus embracing aliens as well as citizens, people of every race and color, "corporate" as well as "natural" persons. It rests the final decision with an impartial tribunal beyond the influence of local prejudice and pressure; it supplies an additional guaranty that civil and political rights are to be regulated only by due process of law; it adds the further security of an equal protection of the laws. Just as due process of law is an English creation, the closely related principle, the equal protection of the laws, is an American creation[2]—a more complete expression of equality before the law.

Though each person has the right to exercise his liberty and use his property according to his own views of his in-

[1] McGehee, *Due Process of Law*, p. 23.

[2] Taylor, *Due Process of Law*, xv.

terest and happiness, according to the dictates of his own conscience, he is restrained as well as protected by just and impartial laws. Even liberty, the greatest of all rights, is not an unrestricted license to act according to one's own will. It is only freedom from restraint under conditions essential to the equal enjoyment of the same right by others.[1] The Constitution does not guarantee that no state shall deprive any person of liberty; it guarantees that no state shall deprive any person of liberty without due process of law. The liberty which each person is permitted to enjoy is liberty regulated by law;[2] it is liberty under the law. Equality before the law presupposes a law to be equal before, a law whose function it is to secure this equality. This law cannot permit any person to be the final judge of his rights; otherwise, the more aggressive persons will encroach on the rights of others and there will be no equality.

Not only the phrase "equality before the law," but even the more technical ones, "due process of law" and "equal protection of the laws," are merely handy labels for broad, general principles. In practical application these principles need definition. The courts have never attempted comprehensive definitions. Such definitions would be impossible to formulate, and if formulated would at once prove inadequate. The courts have attempted only to ascertain as cases arise what is and what is not due process of law[3] and equal protection of the

[1] *Crowley* v. *Christensen*, 137 U.S. 86, 89.

[2] *Idem*, 90.

[3] *Twining* v. *New Jersey*, 211 U.S. 78, 100.

laws—a gradual process of judicial inclusion and exclusion.[1]

Due process of law precludes capricious decisions; decisions must be made with proper regard for precedent. That is due process which is in substantial accord with the law and usages in England before the Declaration of Independence and in this country after it became a nation.[2] Since a rigid adherence to precedent, however, as the only essential of due process would deny every quality of the law but its age and render it incapable of progress,[3] even our fundamental law must adapt itself to new conditions of society.[4] From the day Magna Carta was signed, amendments to the structure of the law have been made with increasing frequency.[5] Subject to the limitation that new procedure must not operate as a denial of fundamental rights, the state and Federal governments may avail themselves of the wisdom gathered by experience to make necessary change.[6] Methods of procedure which at the time the Constitution was adopted were deemed essential to the protection and liberty of the people are no longer necessary; former restrictions have proved detrimental; and some classes of persons, for example, those engaged in dangerous employments, have been found to need additional protection.[7] No change, however, in ancient pro-

[1] *Davidson* v. *New Orleans*, 96 U.S. 97, 104.

[2] *Lowe* v. *Kansas*, 163 U.S. 81, 85.

[3] *Hurtado* v. *California*, 110 U.S. 516, 529.

[4] *Holden* v. *Hardy*, 169 U.S. 366, 387.

[5] *Idem.*

[6] *Brown* v. *New Jersey*, 175 U.S. 172, 175.

[7] *Holden* v. *Hardy*, 169 U.S. 366, 385, 386.

cedure may be made which disregards those fundamental principles, to be ascertained from time to time by judicial action, which have relation to process of law and protect the citizen in his private right and guard him against arbitrary action of government.[1]

When a new case comes to a court for decision its facts probably differ, more or less, from those of the decisions available as precedents. The application of these precedents requires, therefore, the use of judgment and common sense—the rule of reason.

There are no comprehensive definitions of the phrases "due process of law" and "equal protection of the laws"; none can be formulated. Though quasi-definitions are possible, a statement of them would involve a digest of all the decisions relating to these principles, extending back to Magna Carta. In the following paragraphs are references to a few of these thousands upon thousands of decisions. The result is necessarily a sketchy exposition which can no more than illustrate here and there what is and what is not due process of law and equal protection of the laws.

The requisites of due process of law depend upon the subject matter and the nature of the proceeding.[2] Due process is not necessarily judicial process.[3] Other process is sometimes sanctioned, as in the collection of taxes, the acquisition of property by eminent domain, and the assess-

[1] *Twining* v. *New Jersey*, 211 U.S. 78, 101.

[2] *Ex parte Wall*, 107 U.S. 265, 289.

[3] *Reetz* v. *Michigan*, 188 U.S. 505, 507.

ment for local improvements.[1] The problem involves a classification of the subject matter, a selection of the appropriate standard of due process, and the application of that standard.[2] In any case, if the procedure is found to be arbitrary and oppressive, it is not due process of law and may be declared void.

The leading essentials of due process are general and equal laws, notice and hearing, and jurisdiction.[3] Since due process requires that the laws operate on all alike,[4] equality before the law was a fundamental principle of our constitution even before the addition of the equal-protection clause of the Fourteenth Amendment. Generality and equality of the laws as necessary to due process is an American innovation.[5] The requirements for notice and hearing regard substance rather than form and depend on the nature of the case.[6] The notice must be reasonable in time.[7] One kind of notice is required before courts, another before administrative officials, another in the collection of taxes, and another in proceedings for public improvements.[8] In cases of direct contempt committed in the presence of a court, neither notice nor trial is essential to due process.[9] The power of a court to

[1] *Davidson* v. *New Orleans*, 96 U.S. 97, 107.

[2] Taylor, *Due Process of Law*, 286.

[3] McGehee, *Due Process of Law*, 60.

[4] *Giozza* v. *Turman*, 148 U.S. 657, 662.

[5] Taylor, *Due Process of Law*, 297.

[6] *Davidson* v. *New Orleans*, 96 U.S. 97, 105.

[7] *Roller* v. *Holly*, 176 U.S. 398.

[8] Taylor, *Due Process of Law*, 286.

[9] *Ex parte Terry*, 128 U.S. 289.

make an order carries with it the power to punish for disobedience of that order. To submit the question of disobedience to another tribunal, either a jury or another court, would deprive the proceeding of its efficiency.[1] When the court has no personal knowledge of the contempt, however, the right to notice and hearing must be substantially protected.[2] A court may grant writs of garnishment and attachment, foreclose a mortgage, or enforce a lien against property within its jurisdiction, even though the owner is not within the jurisdiction and has no actual notice. The law presumes that he will keep in touch with his property. Due process requires that one have an opportunity to be heard in his own defense[3] but it may not require a hearing before a court of justice.[4] In many cases a hearing before an executive or administrative board has been held sufficient to legalize the taking of property.[5] Usually a person may be deprived of life or liberty only after a trial in a court of justice.[6] Due process in a criminal case requires a law defining the offense, a court of competent jurisdiction, accusation in due form, notice, opportunity to answer the charge, trial according to the settled course of judicial proceedings,[7] and a right to be discharged unless found guilty. If a defendant voluntarily pleads guilty, even though he be

[1] *Ex parte Terry*, 128 U.S. 289.

[2] *Savin, Petitioner*, 131 U.S. 267, 274 *et seq.*

[3] *Hovey* v. *Elliott*, 167 U.S. 409.

[4] *McMillen* v. *Anderson*, 95 U.S. 37, 41.

[5] *Hibben* v. *Smith*, 191 U.S. 310.

[6] *Hagar* v. *Reclamation Dist.*, 111 U.S. 701, 708.

[7] *Frank* v. *Mangum*, 237 U.S. 309, 326.

charged with a felony, a trial is no longer necessary, and in appropriate cases the sentence of death may be pronounced.[1] A right of appeal is not a requisite of due process.[2] Military law is due process for those in the military or naval service;[3] martial law is due process when properly proclaimed by the executive, public danger warranting the substitution of executive process for judicial.[4]

Jurisdiction extends generally to persons and things within the state, and to neither persons nor things beyond the state.[5] The courts of one state have no control over the resident of another state when neither his person nor his property is within its jurisdiction.[6] Though a court may control property, within its jurisdiction, of a non-resident, it cannot render a personal judgment against him; a notice served by publication is inadequate.[7] To afford jurisdiction, courts[8] and administrative officials must also be competent by the laws of their creation to pass upon the matter before them.

The rights protected by due process of law are life, liberty, and property. The terms "life" and "liberty" are used in a broad sense, including all personal as distinguished from property rights. Any law which destroys property or its value, or takes away any of its essential

[1] *Hallinger* v. *Davis*, 146 U.S. 314.

[2] *McKane* v. *Durston*, 153 U.S. 684.

[3] *Reaves* v. *Ainsworth*, 219 U.S. 296.

[4] *Moyer* v. *Peabody*, 212 U.S. 78.

[5] *Galpin* v. *Page*, 18 Wall. 350, 367.

[6] *Riverside, etc., Mills* v. *Menefee*, 237 U.S. 189.

[7] *Pennoyer* v. *Neff*, 95 U.S. 714.

[8] *Idem*, 733.

attributes, deprives the owner of his property.[1] The right to work,[2] to pursue a profession, business, or calling[3] is property. The labor and skill of the workman, the plant of the manufacturer, the equipment of the farmer, the investments of commerce, are all property.[4] A statute providing that the right to labor shall be construed as a personal and not a property right and shall be denied an injunction for its enforcement is without due process of law.[5] The right to make a contract is both liberty[6] and property.[7] Liberty embraces the right of a person to use his faculties in all lawful ways, to live and work where he will, to enter into all contracts which may be proper for earning his livelihood, and to earn it by any lawful calling.[8] Though the freedom of contract is not absolute, it is the general rule and restraint the exception; such restraint can be justified only by exceptional circumstances.[9] Within these limits, the parties to a contract have a right to obtain the best terms they can by private bargaining.[10]

Taking property from one person and giving it to another is without due process of law.[11] This was the effect

---

[1] *In re Jacobs,* 98 N.Y. 98, 105.

[2] *Bogni* v. *Perotti,* 224 Mass. 152.

[3] McGehee, *Due Process of Law,* 335 and cases cited.

[4] *State* v. *Stewart,* 59 Vt. 273.

[5] *Bogni* v. *Perotti,* 224 Mass. 152.

[6] *Lochner* v. *New York,* 198 U.S. 45, 53.

[7] *German, etc., Co.* v. *Barnes,* 189 Fed. 769, 775.

[8] *Young's Case,* 101 Va. 853, 863.

[9] *Adkins* v. *Children's Hospital,* 261 U.S. 525, 546.

[10] *Idem,* 545.

[11] *Hurtado* v. *California,* 110 U.S. 516, 536.

of an order of a state railroad commission which required a railroad to install and maintain cattle scales, since the purpose of the requirement was to facilitate trading in cattle and had no substantial relation to their transportation.[1] A legislature cannot compel a railroad company to furnish free transportation to persons having nothing to do with its affairs, such as members of a state water supply commission,[2] nor impose on the owner of a motor vehicle liability for injuries resulting from the negligent operation of the car by a person who obtains possession without his consent and without his fault.[3]

Due process requires that laws regulating conduct should fix standards possible to ascertain.[4] In order to authorize combinations of tobacco growers, Kentucky laws modified former restrictions and permitted combinations for controlling prices, unless a price was fixed that was greater or less than the real value of the article. This real value was defined to be "its market value under fair competition and under normal market conditions." Since a combination of manufacturers was thus required to guess on peril of indictment what its products would have sold for if the combination had not existed, the laws were unconstitutional; they imposed a standard that could not reasonably be ascertained.[5]

No vested right exists in a mode of procedure. A remedy as such is no part of a contract and may be

[1] *Great Northern R. Co.* v. *Cahill*, 253 U.S. 71.

[2] *Delaware, etc., R. Co.* v. *Board of Pub. Utilities*, 85 N.J.L. 28.

[3] *Daugherty* v. *Thomas*, 174 Mich. 371.

[4] *International Harvester Co.* v. *Kentucky*, 234 U.S. 216.

[5] *Idem.*

changed at the will of the legislature, provided that the change does not take away the right to enforce the contract.[1] Statutes limiting the periods within which suits are to be brought may be changed, when a reasonable time is allowed for the commencement of actions. If the legislature may impose a limitation where none existed before, it may change one which has already been established; the parties to a contract have no more vested right in a particular limitation which has been established than they have in an unrestricted right to sue.[2] Also, due process does not require any particular form of criminal procedure as long as the defendant has sufficient notice of the accusation and an adequate opportunity to defend himself.[3] Any legal proceeding enforced by public authority in furtherance of the public welfare and with proper regard for liberty and justice, whether sanctioned by custom or newly devised in the discretion of the legislative power, is due process of law.[4] Due process does not require indictment by a grand jury.[5] A state may reduce the number of petit jurors from twelve to eight,[6] or dispense with a jury trial altogether.[7] In cases of felony, due process requires that the defendant be present at every stage of his trial. If he is in custody or if he is charged with a capital offense, he is incapable of waiving

[1] McGehee, *Due Process of Law*, 174.

[2] *Terry* v. *Anderson*, 95 U.S. 628, 633.

[3] *Rogers* v. *Peck*, 199 U.S. 425.

[4] *Hurtado* v. *California*, 110 U.S. 516, 537.

[5] *Idem*, 516.

[6] *Maxwell* v. *Dow*, 176 U.S. 581.

[7] *Jordan* v. *Massachusetts*, 225 U.S. 167, 176.

this right.[1] He may, however, waive the right to be present when the verdict is rendered.[2]

Though equality in right, in protection, and in burden has been exemplified in the life of this nation and in its constitutional enactments since the Declaration of Independence,[3] the equal-protection clause of the Fourteenth Amendment has amplified this equality and has safeguarded it with the power of the Federal government. "Equal protection of the laws" is more inclusive than "due process."[4] Due process secures equality by fixing a required minimum of protection for the life, liberty, and property of everyone, upon which the Congress or the legislature may not encroach. The additional guaranty of equal protection is aimed at individual or class privilege, at hostile discrimination; it seeks an equality of treatment for all persons, even though they enjoy the protection of due process.[5] The equal protection of the laws is a pledge of the protection of equal laws.[6] Equal protection necessarily involves equal regulation and equal burdens. The exercise of liberty by each person must be restrained so as not to impair an equal enjoyment of liberty by others; the use of property by each person must be regulated so as not to interfere with an equal use of property by others, nor to injure the rights of the community.[7]

[1] *Diaz* v. *United States*, 223 U.S. 442, 455.

[2] *Frank* v. *Mangum*, 237 U.S. 309.

[3] *Gulf, etc., R. Co.* v. *Ellis*, 165 U.S. 150.

[4] *United States* v. *New York, etc., R. Co.*, 165 Fed. 742.

[5] *Truax* v. *Corrigan*, 257 U.S. 312, 332, 333.

[6] *Yick Wo* v. *Hopkins*, 118 U.S. 356, 369.

[7] *Commonwealth* v. *Alger*, 7 Cush. 53, 84.

The Fourteenth Amendment applies to the arbitrary acts of states and not of their citizens or residents.[1] Laws of a state may now be reviewed by the Federal courts; they will not be sustained when they are special, partial, or arbitrary.[2] The Fourteenth Amendent limits all the departments and agencies of a state government, not only the executive, legislative, and judicial departments, but also the subordinate legislative bodies of counties and cities.[3] The unconstitutionality of legislation may be manifested on its face or in the manner of its enforcement. The state in the management of its property, however, is not performing a government function and is not limited by the Fourteenth Amendment. Having the right of other employers to determine the character of its employees, it may discriminate in favor of its citizens and may exclude aliens from employment on its public work. Equal protection does not mean that nonresidents and aliens who have no interest in the common property of the state must share in that property.[4] If the discriminatory statute includes not only public work but also private enterprise, it is unconstitutional.[5]

The equal-protection clause secures equality before the law in that it guarantees equal recourse to the law by all persons for the vindication of rights and the redress of wrongs.[6] A statute which subjects persons to such exces-

[1] *Civil Rights Cases,* 109 U.S. 3.

[2] *Hurtado* v. *California,* 110 U.S. 516, 536.

[3] *Raymond* v. *Chicago Traction Co.,* 207 U.S. 20, 36.

[4] *Heim* v. *McCall,* 239 U.S. 175.

[5] *Truax* v. *Raich,* 239 U.S. 33.

[6] *Bogni* v. *Perotti,* 224 Mass. 152, 157.

sive penalties for its violation as to intimidate them from testing its validity in court,[1] or one which provides that the right to labor shall not be recognized as property by an equity court,[2] or one which exempts ex-employees, when committing irreparable injury to the business of their former employer, from restraint by injunction while leaving all other persons engaged in like wrong-doing subject to such restraint,[3] is a denial of equal protection. A person who suffers no legal injury from a statute, however, cannot contest its constitutionality because it discriminates against others.[4]

Though "equal protection of the laws" and "due process" are not identical in scope,[5] they are similar in some respects. Both apply to "persons" and not merely to "citizens." The term "person" is not confined to citizens;[6] it includes nonresidents,[7] aliens,[8] Chinese or Mongolians,[9] and all persons irrespective of race, color, or nationality.[10] A state cannot prefer resident creditors over nonresident creditors.[11] Though the Congress may lawfully exclude aliens or regulate their admission, an alien

---

[1] *Wadley, etc., R. Co.* v. *Georgia,* 235 U.S. 651.

[2] *Bogni* v. *Perotti,* 224 Mass. 152.

[3] *Truax* v. *Corrigan,* 257 U.S. 312, 336, 337.

[4] *Dillingham* v. *McLaughlin,* 264 U.S. 370, 374.

[5] *Truax* v. *Corrigan,* 257 U.S. 312, 332.

[6] *Frazer* v. *McConway, etc., Co.,* 82 Fed. 257.

[7] *Drew* v. *Cass,* 129 App. Div. 453.

[8] *Yick Wo* v. *Hopkins,* 118 U.S. 356, 369.

[9] *In re Parrott,* 1 Fed. 481.

[10] *Yick Wo* v. *Hopkins,* 118 U.S. 356, 369.

[11] *Sully* v. *Am. Nat'l Bank,* 178 U.S. 289.

who is rightfully within the country is entitled to due process of law.[1] A corporation is a person within the meaning of the Fifth and Fourteenth Amendments.[2] Though a corporation is a person as regards its property rights,[3] the "liberty" protected by these amendments is the liberty of natural and not of artificial persons.[4]

The rights of life, liberty, and property are subject to certain paramount sovereign powers of the state, such as the police power, eminent domain, and taxation.[5] The police power is the power inherent in a state government to preserve the order, peace, health, and safety of the public, and to provide for its general welfare.[6] Speaking generally, this power is reserved to the states; the Constitution did not grant it to the Federal government.[7] The legislature cannot deprive itself of the power of making these needful regulations, the police power being inalienable even by express grant.[8] The due-process guaranty is not intended to limit the subjects on which the police power of the state may lawfully be exerted.[9] Liberty secured by the Constitution is not an unrestricted license to act according to one's own will. It is only free-

[1] *Lem Moon Sing* v. *United States*, 158 U.S. 538, 547.

[2] *Covington, etc., Co.* v. *Sandford*, 164 U.S. 578, 592.

[3] *Smyth* v. *Ames*, 169 U.S. 466.

[4] *Northwestern, etc., Co.* v. *Riggs*, 203 U.S. 243, 255.

[5] Taylor, *Due Process of Law*, 493.

[6] *Manigault* v. *Springs*, 199 U.S. 473, 480.

[7] *Keller* v. *United States*, 213 U.S. 138, 144.

[8] *Chicago, etc., R. Co.* v. *Tranbarger*, 238 U.S. 67, 77.

[9] *Idem*, 76, 77.

dom from restraint upon conditions essential to the enjoyment of the same right by others, and is subject to regulation by the state in the exercise of its police power.[1] Such regulation may be enforced upon all without regard to their own private views—that is, the private views of the minority—as to the wisdom of the measures adopted.[2] Prior to the adoption of the United States Constitution, police power was sparingly used in this country. As we were almost entirely an agricultural people, the need for special protection of a particular class did not exist.[3] The exercise of this power has been greatly expanded during the past century because of the enormous increase in the number of occupations which are dangerous.[4] The growth of cities, the development of mining and manufacturing, have required increased regulation—fire escapes for large buildings, inspection of boilers, protection of passengers and employees on railways, guarding of dangerous machinery, stairways, and elevator shafts, the cleanliness and ventilation of mines and work rooms.[5] The state may abate a public nuisance, destroy buildings that endanger the safety of the public or stand in the path of a conflagration, destroy diseased animals and unwholesome food, prohibit wooden buildings in cities, restrict objectionable trades to certain localities, compel vaccination, confine persons that are insane or afflicted with contagious

[1] *Crowley* v. *Christensen*, 137 U.S. 86, 89, 90.

[2] McGehee, *Due Process of Law*, 343.

[3] *Holden* v. *Hardy*, 169 U.S. 366, 392, 393.

[4] *Idem*, 391.

[5] *Idem*, 393.

disease, restrain vagrants, beggars, and drunkards, suppress obscene publications and immoral resorts.[1]

Not only industries involving special dangers to employees or the public,[2] but also those affected with a public interest may be regulated, such as the business of innkeepers,[3] wharfingers,[4] ferrymen,[5] hackmen,[6] millers,[7] warehousemen,[8] grain elevator companies,[9] stockyard companies,[10] railroad companies,[11] companies supplying water and gas,[12] persons operating public amusements,[13] or persons furnishing market quotations.[14] As a reasonable regulation to promote the safety of employees and passengers, railroads may be required to equip their cars with automatic couplers and continuous brakes and their locomotives with driving-wheel brakes.[15]

Because of an emergency, a business which is normally private may temporarily be affected with a public interest. Regulations which ordinarily would be unconstitutional

[1] *Lawton* v. *Steele*, 152 U.S. 133, 136.

[2] *Missouri Pac. R. Co.* v. *Mackey*, 127 U.S. 205, 210.

[3] *Munn* v. *Illinois*, 94 U.S. 113, 131.

[4] *Idem.*

[5] *Idem.*

[6] *Lindsey* v. *Anniston*, 16 So. (Ala.) 454.

[7] *Munn* v. *Illinois*, 94 U.S. 113, 131.

[8] *Idem*, 113.

[9] *Brass* v. *Stoeser*, 153 U.S. 391.

[10] *Cotting* v. *Kansas City, etc., Co.*, 183 U.S. 79, 85.

[11] *Gladson* v. *Minnesota*, 166 U.S. 427.

[12] *Spring Valley Water Works* v. *Schottler*, 110 U.S. 347.

[13] *Greenberg* v. *Western Turf Ass'n*, 73 Pac. (Calif.) 1050.

[14] *New York, etc., Exch.* v. *Board of Trade*, 127 Ill. 153.

[15] *Johnson* v. *So. Pac. Co.*, 196 U.S. 1.

may then be due process of law.[1] The shortage of housing facilities following the World War created an emergency which justified legislatures in fixing rents.[2] Such regulations, however, go "to the verge of the law,"[3] and probably would not be upheld as a permanent change.[4]

Though the Adamson Law, enacted during the World War, establishing an eight-hour day and minimum wages for railway employees, was an extreme regulation, the business was affected with a public interest,[5] and the law was a temporary expedient to meet a sudden and great emergency in which the parties could not agree.[6] Such laws may lose their validity as soon as the emergency is passed.[7] Though no unusual emergency was involved, the Industrial Relations Act of Kansas undertook to compel the employer and employees in the manufacture of food, in the event of disagreement, to continue activities on terms fixed by an agency of the state. In thus unreasonably curtailing the right of the parties to contract about their own affairs, the statute was a denial of due process of law.[8] This statute is unconstitutional as applied also to the business of mining coal.[9]

The legislature in the exercise of its police power may

[1] *Block* v. *Hirsh*, 256 U.S. 135, 157.

[2] *Marcus Brown Holding Co.* v. *Feldman*, 256 U.S. 170.

[3] *Pennsylvania Coal Co.* v. *Mahon*, 260 U.S. 393, 416.

[4] *Block* v. *Hirsh*, 256 U.S. 135, 157.

[5] *Wilson* v. *New*, 243 U.S. 332.

[6] *Adkins* v. *Children's Hospital*, 261 U.S. 525, 551.

[7] *Chastleton Corp.* v. *Sinclair*, 264 U.S. 543, 547.

[8] *Wolff Co.* v. *Industrial Court*, 262 U.S. 522.

[9] *Dorchy* v. *Kansas*, 264 U.S. 286.

prescribe qualifications for the practice of professions or occupations requiring special knowledge or skill, or intimately affecting the public welfare, as that of lawyer,[1] doctor,[2] engineer,[3] nurse,[4] or plumber.[5]

The state may legislate to prevent fraud and to protect certain classes of persons against themselves, though such legislation may interfere with the private right of contract. Usury laws are justified because the borrower's necessity places him at the mercy of the lender. Payment of sailors in advance may be forbidden. By the advance of money for dissipation, conspirators gain control over sailors and, in effect, sell them to vessels ready to sail.[6] As a protection against fraud, statutes may specify the size of a loaf of bread,[7] or require that creditors be notified of the proposed sale in bulk of a stock of goods,[8] that compounds be marked with their ingredients,[9] that ice cream contain a certain percentage of butter fat,[10] and may regulate the sale of securities.[11]

The legislature may regulate business to prevent unfair methods in the payment of wages. It may require that

---

[1] *In re O'Brien*, 63 Atl. (Conn.) 777.

[2] *Reetz* v. *Michigan*, 188 U.S. 505.

[3] *Hyvonen* v. *Hector Iron Co.*, 115 N.W. (Minn.) 167.

[4] *State* v. *Yellowstone, etc., Court*, 146 Pac. (Mont.) 743.

[5] *Douglas* v. *People*, 225 Ill. 536.

[6] *Patterson* v. *Bark Eudora*, 190 U.S. 169, 175.

[7] *Schmidinger* v. *Chicago*, 226 U.S. 578.

[8] *Lemieux* v. *Young*, 211 U.S. 489.

[9] *American, etc., Co.* v. *Crumbine*, 207 Fed. 332.

[10] *Hutchinson, etc., Co.* v. *Iowa*, 242 U.S. 153.

[11] *Merrick* v. *Halsey & Co.*, 242 U.S. 568.

coal be measured before screening for payment of miners' wages,[1] that store orders issued in payment of wages be redeemed in cash;[2] it may regulate the time within which wages shall be paid in certain industries.[3] As none of these statutes go to the extreme of fixing wages,[4] they are not an unreasonable invasion of the right of contract.

For protection of the public health the legislature may limit the hours of labor in certain industries, such as eight hours a day in mines and smelters,[5] ten hours a day in any mill or factory, with overtime not exceeding three hours at extra pay.[6]

The state has the right to regulate combinations for controlling prices.[7] The purpose of such statutes is to secure competition.[8] For this reason a company may be prohibited from selling cheaper in one locality than in another.[9]

As a part of the right to promote the public welfare the state may consider the convenience[10] but not the esthetic tastes[11] of the public. The carrying of placards

---

[1] *McLean* v. *Arkansas*, 211 U.S. 539.

[2] *Knoxville Iron Co.* v. *Harbinson*, 183 U.S. 13.

[3] *Erie R. Co.* v. *Williams*, 233 U.S. 685.

[4] *Adkins* v. *Children's Hospital*, 261 U.S. 525, 547.

[5] *Holden* v. *Hardy*, 169 U.S. 366.

[6] *Bunting* v. *Oregon*, 243 U.S. 426.

[7] *National, etc., Co.* v. *Texas*, 197 U.S. 115.

[8] *International Harvester Co.* v. *Missouri*, 234 U.S. 199, 209.

[9] *Central Lumber Co.* v. *South Dakota*, 226 U.S. 157.

[10] *Chicago, etc., R. Co.* v. *Illinois*, 200 U.S. 561, 592.

[11] *Commonwealth* v. *Boston, etc., Co.*, 188 Mass. 348.

or signs on the sidewalks[1] or the operating of advertising trucks or vans in the streets[2] may be prohibited because they tend to cause congestion and disorder, not because they offend esthetic tastes. Though large discretion rests in the legislature to determine what the interests of the public require and what measures are necessary for their protection,[3] the exercise of the police power must be reasonable;[4] it cannot justify oppressive and unjust legislation.[5] Legislative assertion that a law relates to the public welfare is not sufficient to render it valid. A statute forbidding the teaching in schools of any modern language other than English to any child who has not passed the eighth grade is deprivation of liberty without due process of law.[6] Though an employment agency may be capable of abuses, it is a useful calling when properly conducted. A law which forbids employment agents from receiving fees from workers for whom they secure occupation in effect destroys the business and deprives those who conduct it of liberty and property without due process of law.[7]

When a statute prescribes unreasonable qualifications for occupations, such as requiring four years' experience for a horseshoer,[8] imposing on a dentist conditions not

[1] *Commonwealth* v. *McCafferty,* 145 Mass. 384.

[2] *Fifth Ave. Coach Co.* v. *City of N.Y.,* 221 U.S. 467.

[3] *Lawton* v. *Steele,* 152 U.S. 133, 136.

[4] *Plessy* v. *Ferguson,* 163 U.S. 537, 550.

[5] *Lawton* v. *Steele,* 152 U.S. 133, 138.

[6] *Meyer* v. *Nebraska,* 262 U.S. 390.

[7] *Adams* v. *Tanner,* 244 U.S. 590.

[8] *Bessette* v. *People,* 193 Ill. 334.

germane to the calling,[1] and requiring that a conductor on any railroad train shall have served for two years as a conductor or brakeman on a freight train,[2] or when it confers arbitrary discretion on a board to withhold a license for practice of a profession,[3] it is a denial of due process of law.

In the exercise of its police power the state may distinguish, select, and classify matters of legislation. The classification must be reasonable[4] but it need not be logically appropriate or scientifically accurate. As this problem in the government of human beings is different from assigning objects of the physical world to their proper associates, a wide discretion is necessary to make legislation practicable.[5]

When regulations are properly imposed on one business, it is not a reason for complaint that other kinds of business are not subject to like regulation.[6] A statute may prohibit the grazing of sheep on the public domain within two miles of a dwelling house, even though the grazing of cattle, horses, and hogs is not prohibited.[7] An ordinance may exclude from the streets advertising trucks or vans, even though it permits business notices on ordinary vehicles when engaged in the usual business of the owner. The gaudy display of advertisements is for the

[1] *Douglas* v. *Noble,* 261 U.S. 165, 168.

[2] *Smith* v. *Texas,* 233 U.S. 630.

[3] *Douglas* v. *Noble,* 261 U.S. 165, 168.

[4] *Atchison, etc., R. Co.* v. *Vosburg,* 238 U.S. 56, 59.

[5] *Dist. of Columbia* v. *Brooke,* 214 U.S. 138, 150.

[6] *Soon Hing* v. *Crowley,* 113 U.S. 703.

[7] *Bacon* v. *Walker,* 204 U.S. 311.

purpose of attracting attention and tends to produce congestion. Limiting the prohibition to general advertising for hire is not an arbitrary classification.[1] An ordinance may prohibit the operation of billiard or pool rooms as such, though it permits billiard and pool tables in hotels for the use of guests—the ordinance being aimed at the place and not the game.[2] A classification is reasonable which regulates the fire insurance rates of stock companies and exempts those of farmers' mutual companies;[3] also one which exempts from the operations of a usury law loans made by national banks, state banks, trust companies, and bona fide mortgages.[4] The abuses which the usury law seeks to remedy are not inherent in loans of this character. A statute withholding the right to own land from aliens who have not in good faith declared their intentions of becoming citizens is no denial of due process or equal protection. The quality and allegiance of those who own or occupy farm lands are of importance to the state as affecting its power and safety.[5]

A corporation may be required to file an affidavit that it has not participated in any illegal combination, even though no such affidavit is required of natural persons.[6] A law against combinations to lessen competition and control prices may be applied to manufacturers and vendors of commodities, though it exempts purchasers of such

[1] *Fifth Ave. Coach Co.* v. *City of N.Y.*, 221 U.S. 467.

[2] *Murphy* v. *California*, 225 U.S. 623.

[3] *German Alliance Ins. Co.* v. *Lewis*, 233 U.S. 389.

[4] *Griffith* v. *Conn.*, 218 U.S. 563.

[5] *Terrace* v. *Thompson*, 263 U.S. 197.

[6] *Mallinckrodt Chemical Works* v. *Missouri*, 238 U.S. 41.

commodities and persons selling labor. Whether combinations of purchasers and of wage earners also require repression is for the legislature to decide.[1]

Where size is an index to an admitted evil, the law may discriminate between the great and the small.[2] A regulation preventing payment of coal miners on the basis of screened coal may exempt mines employing fewer than ten men.[3] Stricter regulations may be imposed on private banks doing business with poor, ignorant immigrants than on other banks.[4] A stockyard company, however is denied equal protection when its charges are limited and those of smaller companies are not, without regard to the character or value of the services rendered.[5]

Though a state may regulate some occupations and fail to regulate others, the regulations must operate with substantial fairness on those similarly situated.[6] A classification is arbitrary that prescribes sanitary regulations for bakeries making biscuit, bread, and cake, and does not include bakeries making crackers and pie.[7] A statute requiring semimonthly payments for cream or milk only from purchasers for resale or manufacture is a denial of equal protection.[8] Though a state may prescribe whatever condition it sees fit for permitting a foreign insurance

[1] *International Harvester Co.* v. *Missouri,* 234 U.S. 199, 210.

[2] *Engel* v. *O'Malley,* 219 U.S. 128, 138.

[3] *McLean* v. *Arkansas,* 211 U.S. 539.

[4] *Engel* v. *O'Malley,* 219 U.S. 128.

[5] *Cotting* v. *Kansas City, etc., Co.,* 183 U.S. 79, 112.

[6] *Noble* v. *State,* 66 So. (Fla.) 153.

[7] *State* v. *Miksicek,* 125 S.W. (Mo.) 507.

[8] *State* v. *Latham,* 98 Atl. 578, 579.

company to transact business within its limits,[1] it cannot prohibit its residents from making contracts of insurance in another state.[2]

The liberty of contract relating to labor equally includes both parties; the one has as much right to purchase labor as the other to sell.[3] The right of the purchaser to prescribe conditions for accepting labor is the same as the right of the seller to prescribe conditions for offering it; the employer may discharge the employee because of membership in a labor union, and the employee may quit work because the employment is not confined to union men. It is not within the function of free government, in the absence of contract between the parties, to compel any person to accept personal service nor to compel any person to perform personal service. Legislation that disturbs this equality is an arbitrary interference with the liberty of contract and inconsistent with equality before the law.[4]

A classification may be territorial. The Fourteenth Amendment does not aim to secure to all persons in the United States the benefit of the same laws. Diversities may exist in two states separated only by an imaginary line, or even in different parts of the same state.[5] A legislature may create road commissions in counties of not less than 70,000 and not more than 90,000 people,[6] authorize the appointment of court stenographers in counties of not

[1] *Phil. Fire Ass'n* v. *New York,* 119 U.S. 110.

[2] *Allgeyer* v. *Louisiana,* 165 U.S. 578.

[3] *Lochner* v. *New York,* 198 U.S. 45.

[4] *Adair* v. *United States,* 208 U.S. 161, 174, 175.

[5] *Missouri* v. *Lewis,* 101 U.S. 22, 31.

[6] *State* v. *Maloney,* 65 S.W. (Tenn.) 871.

less than 30,000 and not more than 200,000 population,[1] regulate the charges of grain elevators in cities of over 130,000 people,[2] or prescribe a registration law for cities of over 300,000 people, even though only one city in the state has over 300,000 people.[3] The manufacture of brick may be prohibited within a prescribed area.[4] A distinction may be made between the business and residential sections of a city as to the heights permitted for buildings.[5] Hunting and fishing may be prevented in one portion of a state and permitted elsewhere.[6] Though statutes regulating the hunting of game must affect alike all persons similarly situated with reference to that sport,[7] an assumption by a legislature that unnaturalized foreign born residents are peculiarly a source of danger to wild birds or animals is not so unwarranted as to be arbitrary.[8]

Sex may be a basis of classification.[9] Laws limiting the hours of labor for female employees may be valid when similar statutes for males would be invalid.[10] A Massachusetts statute prohibiting all women from laboring in any factory more than sixty hours a week[11] and an

[1] *State* v. *Frater*, 147 Pac. (Wash.) 25.

[2] *Budd* v. *New York*, 143 U.S. 517.

[3] *Mason* v. *Missouri*, 179 U.S. 328.

[4] *Hadacheck* v. *Sebastian*, 239 U.S. 394.

[5] *Welch* v. *Swasey*, 214 U.S. 91.

[6] *Barker* v. *State Fish Com'n*, 152 Pac. (Wash.) 537.

[7] *Harper* v. *Galloway*, 51 So. (Fla.) 226.

[8] *Patsone* v. *Comm. of Penn.*, 232 U.S. 138.

[9] *People* v. *Huff*, 249 Ill. 164, 169.

[10] *State* v. *Dominion Hotel*, 151 Pac. (Ariz.) 958.

[11] *Commonwealth* v. *Hamilton, etc., Co.*, 120 Mass. 383.

Oregon statute prohibiting any female in certain industries from working more than ten hours a day[1] were constitutional. Sex alone will not serve in all cases as a sufficient basis for regulating the hours of labor;[2] the ancient inequality of women, otherwise than physical, is diminishing. In view of the great changes culminating in the Nineteenth Amendment, these differences have almost ceased to exist. Though physical differences must still be recognized in appropriate cases, women no longer require, and cannot be subjected to, restrictions upon their liberty of contract which could not lawfully be imposed upon men in similar circumstances. Consequently, an act of Congress providing minimum wages for women in the District of Columbia was an unreasonable invasion of the right of contract and was unconstitutional.[3]

In making regulations for the public welfare by virtue of the police power, the state may classify people according to race. It may require that different races be separated in public conveyances.[4] This separation is no badge of inferiority on either race. The restriction applies equally to both races and can be regarded as a badge of inferiority only because one race chooses to put that construction on it.[5] The accommodations provided for the different races must be equal.[6] The United States Circuit Court of Appeals, however, has held that equality of

[1] *Muller* v. *Oregon*, 208 U.S. 412.

[2] *People* v. *Elerding*, 254 Ill. 579, 583.

[3] *Adkins* v. *Children's Hospital*, 261 U.S. 525.

[4] *Plessy* v. *Ferguson*, 163 U.S. 537.

[5] *Idem*, 551.

[6] *McCabe* v. *Atchison, etc., R. Co.*, 235 U.S. 151, 160.

service does not mean identity of service; that luxuries in public conveyances—sleeping and dining cars—must be furnished for all races, if furnished for one race, only when the demand is substantially the same.[1] Though this portion of the decision was criticised in a *dictum* of the United States Supreme Court for making "the constitutional right depend upon the number of persons who may be discriminated against,"[2] the case was affirmed and is, presumably, still the law.

The state may provide also that different races must be separated in public schools.[3] Such segregation does not constitute an exclusion from the public schools.[4] The educational requirements for all races must be equally satisfied. Equality before the law guarantees civil and political equality but not social equality. When the government has secured to each of its citizens equal rights before the law and equal opportunities for improvement and progress, it has accomplished its function. If one race be inferior to another socially, the Constitution of the United States cannot put them on the same plane.[5]

Marriages between whites and negroes may be prohibited,[6] preventing the amalgamation of the races being a reasonable exercise of the police power. The restriction necessarily applies equally to both races and is no

[1] *McCabe* v. *Atchison, etc., R. Co.,* 186 Fed. 966.

[2] *McCabe* v. *Atchison, etc., R. Co.,* 235 U.S. 151, 161.

[3] *Berea College* v. *Commonwealth,* 94 S.W. (Ky.) 623.

[4] *Cory* v. *Carter,* 48 Ind. 327.

[5] *Plessy* v. *Ferguson,* 163 U.S. 537, 551.

[6] *State* v. *Tutty,* 41 Fed. 753.

denial of equal protection.[1] Such a statute is no invasion of the right of contract; marriage is not a mere contract, but a status or institution.[2]

Exclusion of negroes from juries is a denial of equal protection.[3] Juries are to be selected without regard to race or color.[4] An accused, however, has no legal right to a jury composed of his own race; he can demand only a jury from which his own race is not arbitrarily excluded.[5]

More severe punishment may be placed on crimes, like sex offenses, when committed between persons of different races than when committed between persons of the same race;[6] but a statute is void whereby an act is a crime if committed by a person of one race and is not a crime if committed by a person of another race, as when the admission of a woman under twenty-one into a restaurant constitutes a crime only when the establishment is operated by a Chinaman.[7]

An ordinance is unconstitutional which requires inhabitants of a certain race to move from a portion of a city heretofore occupied by them.[8] The Virginia Supreme Court of Appeals upheld, as a valid exercise of the police power for preventing breaches of the peace, immorality, and dangers to health, an ordinance of the City of Rich-

[1] *State* v. *Tutty*, 41 Fed. 753, 757.

[2] *Idem*, 758, 759.

[3] *Strauder* v. *West Virginia*, 100 U.S. 303.

[4] *Leach* v. *State*, 62 S.W. (Tex.) 422.

[5] *Virginia* v. *Rives*, 100 U.S. 313.

[6] *Pace* v. *Alabama*, 106 U.S. 583.

[7] *In re Opinion of Justices*, 207 Mass. 601.

[8] *In re Lee Sing*, 43 Fed. 359.

mond forbidding any white person to occupy as a residence any building in any street where the greater number of houses are occupied as residences by colored people, and forbidding any colored person to occupy as a residence any building in any street where the greater number of houses are occupied as residences by white people.[1] Since this decision, the United States Supreme Court has declared invalid an ordinance of Louisville, Kentucky, which was similar, except that the attempted segregation was by "blocks" instead of "streets." The right which, according to the Supreme Court, was improperly invaded was the civil right of a white person to dispose of his property to a colored person and of a colored person to dispose of his property to a white person.[2] More recently, the Virginia court has held that its former decision was in effect reversed by this Supreme Court case.[3]

The property of every person within the several jurisdictions is subject to the power of eminent domain possessed by the state and Federal governments. The taking of property by eminent domain must be for a public use or it is without due process of law.[4] A legitimate public object is not deprived of its public character because it is of incidental benefit to private interests.[5] Land acquired, not only for such purposes as the site for a post office or the widening of a street, but even for such a purpose as

[1] *Hopkins* v. *Richmond,* 86 S.E. (Va.) 139.

[2] *Buchanan* v. *Warley,* 245 U.S. 60.

[3] *Irvine* v. *Clifton Forge,* 97 S.E. (Va.) 310.

[4] *Matter of Tuthill,* 163 N.Y. 133, 138.

[5] *Stockton, etc., R. Co.* v. *Stockton,* 41 Calif. 147, 189.

the right of way for a railroad, is for a public use if the railroad serves the public, though it be owned and operated by private individuals.[1] The cost of a public improvement may be assessed on the property to be benefited.[2] The boundary lines defining the limits for assessment must be reasonable. When they are arbitrary, as where they meander to include land at unequal distances from a street which is to be paved,[3] or where they include land within a drainage district to obtain revenue and not to benefit the land,[4] they constitute a denial of due process of law and equal protection.

The property of every person is subject to the power of taxation. The power of the state to tax extends to all persons and property within its jurisdiction,[5] but it is limited to them[6] and cannot reach the person of a nonresident.[7] Taxation for other than a public use[8] or without jurisdiction is not due process of law. When a corporation has property in more than one state, each state may tax only the portion within that state.[9] When specific articles of personal property are constantly changing, the tax may be fixed by a valuation of the average amount.[10]

[1] *Stockton, etc., R. Co.* v. *Stockton,* 41 Calif. 147, 189.

[2] *Walston* v. *Nevin,* 128 U.S. 578.

[3] *Gast, etc., Co.* v. *Schneider Granite Co.,* 240 U.S. 55.

[4] *Myles Salt Co.* v. *Iberia Drainage Dist.,* 239 U.S. 478.

[5] *Society for Savings* v. *Coite,* 6 Wall. 594, 605.

[6] *Dewey* v. *Des Moines,* 173 U.S. 193, 203.

[7] *Idem.*

[8] *Matter of Tuthill,* 163 N.Y. 133, 138.

[9] *Delaware, etc., R. Co.* v. *Pennsylvania,* 198 U.S. 341.

[10] *Am. Refrigerator Transit Co.* v. *Hall,* 174 U.S. 70, 82.

Wide discretion is permitted in the classification of property for taxation, and the classes thus created may be taxed differently, as, for example, savings banks,[1] unincorporated banks,[2] insurance companies, unincorporated insurance associations,[3], telegraph companies,[4] telephone companies,[5] wholesale merchants,[6] retail merchants,[7] land used for agriculture and for other purposes,[8] railroads,[9] subclassifications of railroads, such as steam and street railroads,[10] or surface and subsurface railroads.[11]

Corporations may be subjected to taxes not imposed on individuals.[12] Merchants may be taxed according to the amount of their sales.[13] A state does not deny the equal protection of the laws when it provides a method of taxing the property of railroad corporations different from that applied to the property of other corporations or individuals, though they incidentally own or operate railroads; the fact that railroad corporations are vested with different powers from those of other corporations or indi-

[1] *Farmers', etc., Bank* v. *Minnesota,* 232 U.S. 516.

[2] *Johnson County* v. *Johnson,* 89 N.E. (Ind.) 590.

[3] *N.Y. Fire Dept.* v. *Stanton,* 159 N.Y. 225.

[4] *State* v. *Western Union,* 124 N.W. (Minn.) 380.

[5] *Idem.*

[6] *Knisely* v. *Cottrel,* 196 Pa. 614.

[7] *Idem.*

[8] *Clark* v. *Kansas City,* 176 U.S. 114.

[9] *Ohio Tax Cases,* 232 U.S. 576.

[10] *Puget Sound Co.* v. *King County,* 264 U.S. 22, 27.

[11] *People* v. *State Board,* 199 U.S. 1, 47.

[12] *Bank of Commerce* v. *Senter,* 260 S.W. (Tenn.) 144, 149.

[13] *Clark* v. *Titusville,* 184 U.S. 329.

viduals is a sufficient reason for the separate classification.[1] A classification is valid where a state imposes a tax on the business of express companies, though it does not impose a like tax on railroad or steamboat companies which carry express matter; the fact that the railroad and steamboat companies pay taxes on tangible property and that express companies have little tangible property furnishes a valid basis for the classification.[2]

As an incident to a state's power to select persons and property to be taxed, it may grant exemptions from taxes,[3] provided that such exemptions are reasonable.[4] Incomes below a certain amount may be exempted.[5] Transfer taxes may be confined to a particular kind of property, such as shares of corporate stock.[6] A transfer tax on shares of stock is not invalid because the transfer of bonds is not included.[7] A license tax may be imposed on hand laundries operated by men though none is imposed on those operated by women.[8] If a legislature deems it advisable to put a lighter burden on women than on men in an employment commonly regarded as more appropriate for women, the Fourteenth Amendment does not interfere by creating a fictitious equality where there is a

[1] *Mich. R. Tax Cases,* 138 Fed. 223.

[2] *Pac. Exp. Co.* v. *Seibert,* 142 U.S. 339, 353, 354.

[3] *Magoun* v. *Ill. etc., Bank,* 170 U.S. 283, 299.

[4] *Peacock & Co.* v. *Pratt,* 121 Fed. 772, 777.

[5] *Idem,* 777, 778.

[6] *Hatch* v. *Reardon,* 204 U.S. 152, 158.

[7] *Idem.*

[8] *Quong Wing* v. *Kirkendall,* 223 U.S. 59.

real difference.[1] This decision, however, was rendered before the adoption of the Nineteenth Amendment. A license tax may be imposed on wholesale dealers in oils though none is imposed on wholesale dealers in other merchandise,[2] on houses packing meat though none is imposed on those packing vegetables,[3] on the sale of oleomargarine though none is imposed on the sale of butter,[4] on selling sewing machines from a delivery wagon though none is imposed on selling them from a store.[5]

Arbitrary selection cannot be justified by calling it classification.[6] Though the equal-protection clause does not require taxes to be levied by a uniform method and at the same rate on all classes of property,[7] the franchises and property of one corporation cannot be assessed at a different rate or by a different method from those of other corporations of the same class.[8] A classification for taxation is arbitrary that discriminates between citizens and nonresidents,[9] or between goods manufactured for sale in a state and those manufactured for export,[10] or taxes the employment of aliens only.[11] Greater or different taxes

[1] *Quong Wing* v. *Kirkendall,* 223 U.S. 59, 63.

[2] *Southwestern Oil Co.* v. *Texas,* 217 U.S. 114.

[3] *Armour Packing Co.* v. *Lacy,* 200 U.S. 226, 236.

[4] *Hammond Packing Co.* v. *Montana,* 233 U.S. 331.

[5] *Singer, etc., Co.* v. *Brickell,* 233 U.S. 304.

[6] *Southern Ry. Co.* v. *Greene,* 216 U.S. 400, 417.

[7] *Peacock & Co.* v. *Pratt,* 121 Fed. 772.

[8] *Raymond* v. *Chicago Traction Co.,* 207 U.S. 20, 37.

[9] *Walling* v. *Michigan,* 116 U.S. 446, 461.

[10] *State* v. *Bengsch,* 170 Mo. 81.

[11] *Fraser* v. *McConway, etc., Co.,* 82 Fed. 257.

may be imposed on foreign than on domestic corporations as a condition of admission into the state.[1] A corporation is a "domestic" corporation in the state of its creation; it is a "foreign" corporation in all other states.[2] When a foreign corporation has come into a state in compliance with its laws and has acquired property of a permanent nature, it cannot be subjected to more burdensome taxes than are imposed on a domestic corporation doing business of the same character.[3]

[1] *Horn Silver Mining Co.* v. *New York,* 143 U.S. 305, 314.

[2] *Idem.*

[3] *Southern Ry. Co.* v. *Greene,* 216 U.S. 400.

VIII

THE NECESSITOUS MAN AND THE LAW

> "NECESSITOUS men are not, truly speaking, free men, but, answering present exigency, will submit to any terms that the crafty may impose upon them."—*Lord Northington.*

IN THE above oft-quoted statement the word "necessitous" is the key word. It is, to begin with, a relative term. It will be necessary to determine just how necessitous a man must be before he loses his freedom. We may imagine extreme cases where the necessitous condition is such as obviously to destroy the man's freedom. We may also easily find other cases where the necessity is so slight and the general conditions so favorable to the man as to leave him free in every political or economic sense.

An example of the first is the man who is out of work, whose family is in want, who has many competitors for every job, or who must accept employment from a single employer or none at all. Such a man may be assumed to be under the coercion of unfortunate circumstances. It would perhaps be more accurate to say that his bargaining power, in comparison with that of his prospective employer, is very low, or that that of his prospective employer is very high. At any rate, their bargaining power is very unequal.

An example of the second class, that is, of a man whose necessity is so slight and whose circumstances so favorable as to leave him a free man politically and economically, is a laborer who has a good job and knows where he can get several others if he wants another, who has no more competitors for his present job than he has opportunities for a new job, who lives in a community where the labor market is not overcrowded, but where employers are looking for men instead of men looking for jobs. If such a man is not thoroughly free and independent, it is because of some defect of his character. Observation and experiment will convince anyone that there are laborers in this condition today and that they are a very independent group of individuals. Any attempt to browbeat or otherwise impose upon one of them will be followed by unfortunate results to the one who makes the attempt.

During considerable periods of time and in many parts of the world, the majority of wage workers have been in the first of these conditions and only a few in the second. Recently, in this country the ratios have been changing. Decreasing numbers find themselves in the first of these conditions and increasing numbers in the second. This at least suggests the possibility of still further changing ratios until the vast majority of laborers will find themselves in the second of these conditions, in which case the vast majority of laborers will be quite as free as capitalists or anyone else, and the term "wage slave" can be used no more except for purposes of perversion.

An analysis of the laws of distribution strengthens the suggestion that it is possible to bring about conditions in

which the average laborer will be quite as independent as the average capitalist, landowner, professional man, or the average of any other group. This may be accomplished by so increasing the occupational mobility of labor as to thin out the numbers in every overcrowded occupation and increase the numbers in those occupations where men are now scarce. The occupational balance resulting from this occupational redistribution would tend to equalize the bargaining power of men in different occupations and leave them all relatively free because none would be in that necessitous condition which destroys freedom.

All this could be done without modifying that legal freedom of contract which now exists. In other words, legal freedom to make contracts would not result in the economic enslavement of the necessitous man, because there would be no necessitous men in the sense in which Lord Northington used that term. Meanwhile, how does the necessitous man stand before the law?

Society of today differs from that of centuries ago by the enlarged sphere of voluntary contract. Ancient law fixed a man's permanent social position at his birth; modern law allows him to create it for himself.[1] The enforcement of voluntary contract, especially in America, enables a person, born in poverty, to acquire comfort, even wealth and power, if he possesses capacity and exercises it industriously.

Our liberty of contract, however, is being assailed from both extremes of a social controversy. Since freedom of contract affords opportunity for the ambitious man, we

[1] Maine, *Ancient Law* (Pollock's edition), p. 319.

can understand his objection to restraint, even though we may not be willing to yield to his demands. We find difficulty in understanding why an ambitious man should wish for greater restrictions. The restraint which he would impose on others must apply also to himself; in this country, no state may deny to any person within its jurisdiction the equal protection of the laws.[1] Though the poorer classes have profited most by freedom of contract in the past and will profit most in the future, from their spokesmen comes a demand for its restriction. These delegated, or self-delegated, spokesmen declare that a poor man is a necessitous man; that a necessitous man is not a free man; that he should be further deprived of his right of voluntary contract because someone might take advantage of his need.

The poor man secured freedom and opportunity through the right of voluntary contract; he will lose both to the extent in which that right is denied. Without the right of voluntary contract, society will stagnate. Initiative and character develop only with responsibility. A child who is coddled and has his problems solved for him grows into a helpless youth. Conduct a stranger through the city of Boston every day for a month, and its crooked streets will still be a labyrinth to him; let him guide himself, and he will soon move about with understanding and assurance. Without the opportunity and responsibility afforded by the right of voluntary contract, human progress will be arrested. Men will lapse to mediocrity; they will have no incentive for their ambition—except in

[1] Fourteenth Amendment to the United States Constitution.

the sphere of politics. As paternalism increases, the competition for political positions becomes more extreme.

The argument for restrictions upon voluntary contract is made, apparently, on the assumption that our law affords a complete freedom of contract; that it permits the strong to impose on the weak, the fortunate to take unconscionable advantage of the unfortunate. The assumption is wrong. Our law does not permit entire freedom of contract; to a rational extent, it does protect the weak and unfortunate. This protection is not confined to modern social legislation; it may be found in the established principles of the common law and of equity jurisprudence.

A contract to which a necessitous man is a party may come before the courts in three ways: the fortunate party may ask for specific performance; the unfortunate party may ask that the contract be rescinded; the fortunate party may sue for damages. Specific performance is an equitable remedy which compels the performance of a contract according to its precise terms, or such substantial performance as will do justice between the parties.[1] Where money damages would be an inadequate compensation for the breach of an agreement, the contractor may be compelled to perform specifically what he has agreed to do.[2] Since the exact fulfillment of the agreement is not always practicable, specific performance may mean a substantial performance, rather than a literal one.[3]

[1] *Rison* v. *Newberry*, 18 S.E. (Va.) 916.

[2] Black's *Law Dictionary* (second edition), 892.

[3] II Bouvier *Law Dictionary* (Rawle's edition), 1020.

Specific performance is usually involved in contracts for the conveyance of real estate. Money damages are generally found to be adequate compensation for failure to transfer personal property[1] or to perform personal service. Even in such contracts, however, if the plaintiff can show that money damages would not be adequate compensation, he may obtain a decree for specific performance.[2]

The necessitous man need have little fear that a plaintiff who has taken unfair advantage of his need will obtain a decree for specific performance. An ancient maxim provides that "he who seeks equity must do equity." A plaintiff asking the aid of an equity court must stand in a conscientious relation toward his adversary; the transaction must be fair and just, and the relief requested must not be harsh and oppressive upon the defendant.[3] If the contract is unfair, one-sided, unjust, unconscionable, or affected by any other inequitable feature, or if its enforcement would be oppressive on the defendant, or would prevent his enjoyment of his own rights, or would work any injustice, or if the plaintiff has obtained it by sharp and unscrupulous practices, by overreaching, by trickery, by taking undue advantage of the defendant's position, by nondisclosure of material facts, or by any other unconscionable means, then a specific performance will be refused.[4] The oppression or hardship which induces the

[1] *McGraw Co.* v. *Zonta, etc., Co.*, 190 N.W. (Ia.) 129.

[2] *Tobacco Growers' Co-op. Ass'n* v. *Battle*, 121 S.E. (N.C.) 629.

[3] Pomeroy, *Equity Jurisprudence*, sec. 400; *Marks* v. *Gates*, 154 Fed. 481, 482.

[4] *Koch* v. *Streuter*, 83 N.E. (Ill.) 1072, 1077.

court to refuse specific performance may result from the unequal, unconscionable provisions of the contract or from external facts or circumstances.[1] Courts of equity will not lend their aid to assist one in realizing upon an unconscionable bargain, even though the contract possesses all technical requirements.[2]

Before a contract can be enforced specifically, it must be founded on a valuable consideration.[3] A valuable consideration means something of value, not necessarily the full market value. Some equity courts insist that the consideration be adequate.[4] Generally, however, inadequacy of consideration is not in itself a ground for refusing specific performance, unless it is so gross as to render the contract unconscionable.[5] Inadequacy of consideration implies that the price is either too small or too great.[6] A contract may be fair even though the price is greater or less than the market value. If the price is not grossly inadequate, or if the defendant cannot show other unconscionable conduct on the part of the plaintiff, the contract probably is substantially fair under the circumstances. The inquiry as to the adequacy of consideration must relate to the time the contract was made; it is not concerned with subsequent developments.[7]

[1] Pomeroy, *Specific Performance of Contracts*, sec. 185; *Sanders* v. *Newton*, 37 So. (Ala.) 340.

[2] *Koch* v. *Streuter*, 83 N.E. (Ill.) 1072, 1077.

[3] *Alabama Cent. R. Co.* v. *Long*, 48 So. (Ala.) 363, 364.

[4] *Bear Track Min. Co.* v. *Clark*, 54 Pac. (Idaho) 1007.

[5] *Marks* v. *Gates*, 154 Fed. 481, 483.

[6] II Pomeroy *Equity Jurisprudence*, sec. 925.

[7] *Lee* v. *Kirby*, 104 Mass. 420, 428.

The specific enforcement of contracts calls for the exercise of wide discretion by an equity court. This discretion is not arbitrary nor capricious, but sound and reasonable, governed as far as possible by defined rules.[1] The contract must be just, fair, and reasonable; it must be reasonably certain in respect to the subject matter, the terms, and stipulations; it must be founded on a valuable consideration.[2] Because of the great variety of forms in which unfairness may occur, however, the decision depends on the circumstances of each particular case;[3] the judicial discretion is only imperfectly guided by precedents or special rules.[4]

Though most courts of equity will not refuse specific performance merely because the price is greater or less than the market value, the inadequacy of consideration is a fact which may be considered in determining the existence of fraud or other inequitable conduct on the part of the plaintiff. If the inadequacy of price is so gross as to shock the conscience, it may in itself furnish satisfactory and decisive evidence of fraud. In such a case the fraud thus ascertained, and not the inadequacy of price, is the reason for the refusal of specific performance.[5] The defendant is not always required to prove fraud or inequitable conduct on the part of the plaintiff. The court may not compel the performance of an agreement in which the

[1] *Blackwilder* v. *Loveless*, 21 Ala. 371.

[2] *Alabama Cent. R. Co.* v. *Long*, 48 So. (Ala.) 363, 364.

[3] *Carver* v. *Van Arsdale*, 143 N.E. (Ill.) 579, 584.

[4] *Blackwilder* v. *Loveless*, 21 Ala. 371.

[5] *Worth* v. *Watts*, 70 Atl. (N.J. Eq.) 357, 358.

defendant, or his agent, has made a mistake, even though the plaintiff is in no way responsible for the mistake.[1] If inadequacy of consideration, improvidence, surprise, or hardship reveal unfairness in the contract, the court may refuse specific performance, when the plaintiff is guilty of no fraud, and the defendant can show no mistake.[2]

The legislatures of several states have varied the ancient rules of equity jurisprudence in regard to specific performance. Statutes in California,[3] Montana,[4] North Dakota,[5] and South Dakota[6] provide that specific performance cannot be enforced against a party to a contract if he has not received an adequate consideration; if the contract is not, as to him, just and reasonable; if his assent was obtained by the misrepresentation, concealment, circumvention, or unfair practices of the plaintiff, or by any promise of the plaintiff which has not been substantially fulfilled; or if the defendant's consent was given under the influence of mistake, misapprehension, or surprise, except that where the contract provides for compensation in case of mistake, a mistake within the scope of such provision may be compensated for, and the contract specifically enforced in other respects, if proper to be so enforced.

Such statutes are little more than declaratory of the old rules of equity jurisprudence, except the provisions about adequate consideration. These provisions render a

[1] *Moore* v. *McKillip*, 194 N.W. (Neb.) 465, 468.

[2] *Shoup* v. *Burnside*, 98 Pac. (Kan.) 202, 204.

[3] Civil Code of California, sec. 3391.

[4] Revised Codes of Montana, sec. 8721.

[5] Compiled Laws of North Dakota, sec. 7198.

[6] South Dakota Revised Code, sec. 2016.

contract unenforceable even though the parties intentionally entered into the contract fixing the inadequate consideration.[1]

The legislature of Montana has stipulated also that specific performance cannot be compelled when it would operate more harshly upon the defendant than its refusal would operate on the plaintiff.[2] A statute of Georgia provides that mere inadequacy of price, though not sufficient to rescind a contract, or any other fact showing the contract to be unfair, unjust, or against good conscience, may justify a court in refusing to decree specific performance.[3]

Another way in which a contract involving a necessitous person may come before the courts is by the request of the dissatisfied party for a cancellation of the agreement. Such a case also is within the jurisdiction of a court of equity, but the former nomenclature is now reversed—the unfortunate party is the plaintiff and the fortunate party is the defendant. The aggrieved person is now asking for "affirmative relief"; when he was defendant to a bill for specific performance, he was asking for "negative relief." To procure this affirmative relief, he must prove a stronger case than for negative relief.[4] Even though a court refuses to compel specific performance, it may on the same proof also refuse to cancel the contract.[5]

[1] *Cummings* v. *Roeth*, 101 Pac. (Calif.) 434.

[2] Revised Codes of Montana, sec. 8723.

[3] Georgia Civil Code, sec. 4637.

[4] *Blackwilder* v. *Loveless*, 21 Ala. 371.

[5] *Shoup* v. *Burnside*, 98 Pac. (Kan.) 202, 204.

Regardless of this requirement for stronger proof, an equity court will cancel an agreement or a deed in appropriate cases. It protects the weak, the feeble, the inexperienced, and the oppressed from the strong, the shrewd, and the crafty, by refusing to uphold contracts or conveyances when the relation or condition of the parties, or the gross inadequacy of the consideration, or the circumstances surrounding the transaction lead to the presumption of fraud, duress, undue influence, or gross imposition.[1]

If the plaintiff can show that he is the victim of fraud, the case presents no difficulty; fraud vitiates any contract. The duress for which a contract or a deed may be canceled is a coercion through fear of illegal imprisonment, great bodily harm, or serious loss or damage to property.[2] The modern tendency, furthermore, is to regard any transaction as voidable which the party was not bound to enter and which was coerced by fear of a wrongful act by the other party.[3] The doctrine is often employed to cover every case where a party to a contract or transfer was deprived of freedom of will.[4]

Undue influence is the abuse of confidence, or of real or apparent authority, for the purpose of obtaining an unfair advantage of another person's weakness of mind, necessities, or distress, or for the purpose of constraining him to do what he would not have done without the exercise of

[1] *Prudential Life Ins. Co.* v. *La Chance,* 95 Atl. (Me.) 223, 226.

[2] *Van Dyke* v. *Wood,* 70 N.Y.S. 324, 327.

[3] III Williston's *Contracts,* sec. 1603.

[4] *Idem.*

such control.[1] Undue influence is a species of fraud; sometimes, perhaps usually, it contains elements of fraud. It may exist, however, without positive fraud; the terms are not synonymous.[2] Undue influence may be exerted because of dependent or fiduciary relation, mental or physical weakness, pecuniary necessities, ignorance, lack of advice, and the like. The doctrine of equity concerning undue influence is very broad; it grants relief where influence is acquired and abused, or where confidence is reposed and betrayed.[3] Undue influence is a kind of mental coercion which destroys a person's free agency and constrains him to act against his will.[4] Whenever a person is in the power of another so that a free exercise of his judgment and will is impossible or difficult, or if he is in pecuniary necessity and distress, so that he would be likely to make any undue sacrifice, and advantage is taken of such condition to obtain from him a contract or conveyance which is unfair, made upon an inadequate consideration, and the like, equity may grant affirmative relief.[5] It may set aside a contract or conveyance when extreme necessity and distress have overcome a person's free agency and when oppression, fraudulent advantage, or fraudulent imposition have resulted.[6] Any influence which, having regard to the age and capacity of a person,

[1] II Bouvier's *Law Dictionary* (Rawle's edition), 1157.

[2] *In re Shell's Estate,* 63 Pac. (Colo.) 413.

[3] II Pomeroy *Equity Jurisprudence,* sec. 951.

[4] *Beard* v. *Beard,* 190 S.W. (Ky.) 703, 706.

[5] II Pomeroy *Equity Jurisprudence,* sec. 948.

[6] I Story *Equity Jurisprudence* (14th edition), sec. 339; *Lomerson* v. *Johnston,* 44 N.J. Eq. 93, 103.

the nature of the transaction, and all the circumstances of the case, appears to have precluded free and deliberate judgment is considered by courts of equity to be undue influence and is a ground for setting aside the act procured by its employment.[1]

Though a force of circumstances for which the other contracting party is not responsible constitutes neither duress nor undue influence if he knew of these circumstances and took advantage of them, a degree of pressure which would not ordinarily amount to duress or undue influence may invalidate the transaction.[2]

Inadequacy of consideration by itself is usually insufficient reason for setting aside a contract[3] or a deed.[4] When the parties are both in a situation to form independent judgment[5] and have knowingly and deliberately fixed upon any price, however great or small, there is no occasion for interference by courts; owners have a right to sell property for what they please, and buyers have a right to pay what they please.[6] Where the inadequacy of consideration, however, is accompanied by other inequitable incidents showing bad faith, such as concealment, misrepresentation, undue advantage, or oppression on the part of the one who obtains the benefit, or ignorance, mental weakness, sickness, old age, incapacity, pecuniary

[1] III Williston *Contracts*, sec. 1602.

[2] *Idem*, sec. 1608.

[3] *McLeod* v. *McLeod*, 40 So. (Ala.) 414.

[4] *Kline* v. *Kline*, 128 Prac. (Ariz.) 805, 808.

[5] II Pomeroy *Equity Jurisprudence*, sec. 926.

[6] *Idem*, sec. 927, note 1.

necessity, and the like, on the part of the other, an equity court may readily rescind the transaction. It would not be correct to say that such facts constitute an absolute and necessary ground for equitable interposition. They operate to throw the heavy burden of proof on the party seeking the benefits of the transaction, to show that the other acted voluntarily, knowingly, intentionally, and deliberately, with full knowledge of the nature and effect of his acts, and that his consent was not obtained by any oppression, undue influence, or undue advantage taken of his condition, situation, or necessities.[1] Even in the absence of these other circumstances, when the inadequacy of price is so gross that it shocks the conscience and furnishes satisfactory and decisive evidence of fraud, it will be a sufficient ground for canceling a contract or conveyance. In such a case, fraud and not inadequacy of price is the justification for equitable interference.[2]

A brief digest of two or three cases may serve to illustrate how a court of equity uses its discretion when requested to cancel an agreement. A Kentucky court set aside a transfer where a man and his wife received but $25 for a slave worth from $350 to $400. The court found that the plaintiffs were "very destitute and their necessities great."[3] Though the needs of spendthrifts excite less sympathy than the needs of people who are suffering for the necessities of life, even a spendthrift may obtain equitable relief. A plaintiff of this character ap-

[1] II Pomeroy *Equity Jurisprudence,* sec. 928.

[2] II Pomeroy *Equity Jurisprudence,* sec. 927; *Graffam* v. *Burgess,* 117 U.S. 180, 192.

[3] *Esham and wife* v. *Lamar,* 10 B. Monroe (Ky.) 43.

plied to a Rhode Island court for a rescission of his contract. He had obtained a loan of $2,000 from a mortgage broker, giving as security a mortgage on $10,000 worth of real estate. The note provided for interest at the rate of 5% a month, payable monthly, the unpaid installments of interest to draw interest at the same rate. The borrower read the note, but he was unskilled in business affairs and probably did not comprehend how rapidly the interest would accumulate. Though Rhode Island then had no law forbidding usury, the court held that the defendant had taken an unconscionable advantage of the plaintiff and should receive only a reasonable rate of interest.[1]

A plaintiff, who was constructing a railroad and developing land in Kentucky, applied to money lenders of New York for a loan. The defendants took advantage of his financial needs to drive a hard bargain and one which violated the New York usury law. Except for a modification of the interest rate, the court refused to set aside the contract. The court found that the plaintiff had deceived the defendants in regard to the amount of his indebtedness. He was an experienced business man, who knew the effect of such a contract. He could not be relieved merely because he had undertaken more than he could accomplish.[2] If negotiations of this character should be set aside, an inordinate number of commercial transactions would end in the courts. Business would be so uncertain and hazardous that it would stagnate; it would

[1] *Brown* v. *Hall,* 14 R.I. 249.

[2] *Carley* v. *Tod,* 31 N.Y.S. 635.

need to seek some country whose government interfered less with voluntary contract.

The States of California,[1] Montana,[2] North Dakota,[3] Oklahoma,[4] and South Dakota[5] have provided by statute that a party to a contract may rescind it if his consent was given by mistake or obtained through duress, menace, fraud, or undue influence, exercised by the other party or with his connivance. Undue influence, within the meaning of these statutes,[6] consists in the use of confidence, or of real or apparent authority, for the purpose of obtaining an unfair advantage, in taking an unfair advantage of mental weakness, or in taking a grossly oppressive and unfair advantage of another's necessities or distress.

These statutes are declaratory of settled equitable principles. A statute of Georgia is less inclusive. It provides merely that great inadequacy of consideration, joined with great disparity of mental ability in contracting a bargain, may justify a court of equity in setting aside a sale or other contract.[7]

The third way in which a contract involving a necessitous person may come before the courts is by suit for money damages. This is a remedy of the common law

[1] Civil Code of California, sec. 1689.

[2] Revised Codes of Montana, sec. 7565.

[3] Compiled Laws of North Dakota, sec. 5934.

[4] Compiled Oklahoma Statutes, sec. 5077.

[5] South Dakota Revised Code, sec. 904.

[6] Civil Code of California, sec. 1575; Revised Codes of Montana, sec. 7483; Compiled Laws of North Dakota, sec. 5852; Compiled Oklahoma Statutes, sec. 4999; South Dakota Revised Code, sec. 819.

[7] Georgia Civil Code, sec. 4630.

and not of equity jurisprudence. Upon denial of specific performance, or of cancellation, or of both, the court of equity may leave the aggrieved party to enter a suit for damages in a court of law, or it may itself decree such damages as the law provides. When a case is clearly one in equity and both parties submit to equity jurisdiction, it is the duty of the equity court, as the rule is sometimes stated, to dispose finally of the whole controversy and grant the relief to which the parties may be entitled, though it be legal and not equitable in character.[1] The United States Supreme Court formulates the rule less dogmatically by saying that a case may be retained by the equity court for the purpose of granting full relief, when jurisdiction exists.[2]

Upon being sued for money damages in a court of law, the necessitous person who has been grossly imposed upon need have little fear of the consequences. Even under the old common law, fraud served as a defense. Under the modern systems of pleading and the fusion of law and equity, an aggrieved party is usually able, in cases of unconscionable agreements, to obtain such equitable relief as he may be entitled to.[3]

The necessitous person when sued for damages is not only reasonably protected in theory; he is even better protected in practice. The plaintiff can get only such damages as the jury awards. Juries are notorious for being partial to the "under dog" and for finding fraud on slight

[1] *Gabrielson* v. *Hogan*, 298 Fed. 722.

[2] *Gormley* v. *Clark*, 134 U.S. 338, 349.

[3] Sedgwick *Damages* (9th edition), sec. 606*c*.

evidence. A North Carolina case[1] will serve as an illustration. A woman who had signed an agreement permitting a power company to erect towers on her land for one dollar apiece complained that the agent of the company had led her to think that she was granting a right of way for "poles" instead of "towers." Though the agent denied making any such representation and though the woman was well educated and admitted having read the contract, the jury "found" fraud, and awarded her substantial damages. The State Supreme Court held that, even in the absence of other evidence, the inadequacy of consideration was so gross as to be sufficient evidence of fraud to justify a submission of the question to the jury. An impartial critic might find difficulty in understanding how a jury could be convinced that an educated person would not know that power companies use towers instead of poles. The answer probably is that the jury thought the company ought to pay an adequate price for the privilege it had acquired.

Another practical consideration is one which the law books never mention, but which the practicing attorney will think of first. A judgment against a "necessitous" person generally is worthless. The plaintiff will probably realize nothing on it, except a lot of trouble and expense. Even this judgment is easily disposed of. A subsequent bankruptcy schedule will probably disclose a situation somewhat as follows: liabilities, the amount of the judgment and costs; assets, nothing. The remains of the case, without hope of resurrection, will then be interred in the

[1] *Leonard* v. *Southern Power Co.*, 70 S.E. (N.C.) 1061.

vault of the Bankruptcy Court; leaving as the one mourner the person who sought to take improper advantage of a necessitous man.

This brief survey of our law will serve to show, we hope, that the necessitous man is reasonably protected. Further invasion of the right of voluntary contract would be inconsistent with free government; it would take away the responsibility and opportunity necessary for the development of the individual and for the progress of the race.

IX

THE PRESENT STATUS OF THE POPULATION PROBLEM

MOST economic questions resolve themselves, sooner or later, into some sort of a population problem. Economic students can be broadly classified into two groups: first, those who recognize this problem and face it courageously and seek an intelligent understanding of it; second, those who find it unpleasant for one reason or another and persuade themselves that it does not exist by the artifice of closing their eyes to some very patent facts. Among the latter may be mentioned two subclasses, such as those who, for religious reasons, feel a horror of everything that has any connection with the biological facts of reproduction, and those who find that the laws of population, as commonly expounded, seem to present an obstacle to their particular schemes of social perfectibility.

The latter group commonly assert that such economic laws as the principle of population and the law of diminishing returns from land are inventions of the economists to hinder the progress of social reform. But such a person is capable of saying that the law of gravitation was an invention of the physicist to hinder the progress of aviation. Economic laws, like physical laws, are things to be taken account of in our plans and not to be ignored.

These laws do not prevent either social reform or aviation, but they do indicate certain things that must be done if success is to be hoped for in either field. Gravitation did seem to interfere with Darius Green's system of aviation. It did not prevent the success of the Wright system because the latter took full account of it. The law of population does interfere with the Darius Greens of social reform. It does not prevent social reforms that take full account of it.

Among really serious students, the population problem has occupied a central position in discussions of social reform since the year 1798. In that year a book was published in London entitled "An Essay on the Principle of Population as It Affects the Future Improvement of Society, with Remarks on the Speculations of Mr. Godwin, M. Condorcet, and Other Writers." It is safe to say that this has been one of the most influential books of modern times. Its author, Thomas Robert Malthus, was a country clergyman who had become deeply interested in the problem of social improvement which was then agitating the constructive minds of England as it has probably not agitated them since, even down to the present moment. His father was a scholar of some eminence, a correspondent of Voltaire and the literary executor of Rousseau. He had become a convert to the somewhat radical views of William Godwin and some of the French communists, but his son, Thomas Robert, was not convinced by the rather impressionistic arguments of that radical group and held long debates with his father on the subject. He thought that he found serious obstacles to the perfecti-

bility of human society by the somewhat easy methods proposed by that group. These obstacles, while not insuperable, must, he felt, be taken into account in any plan for social improvement.

The thesis of the book is contained in the simple formula "The universal tendency of all animated life to increase beyond the means of subsistence." The argument may be briefly summarized as follows:

1. Every species of plant and animal has a reproductive power that enables it to multiply faster than its means of subsistence will permit, especially if it is confined to a given area of land. Some relief, of course, may be afforded by emigration, but it will be observed that the necessity for emigration or the spreading over more territory is the result of the scarcity of food within the original, or any limited, habitat. This aspect of the problem of migration is of the very greatest importance, whether we are considering plants, animals, or human beings.

2. Human beings are under the same inexorable law. The physiological power of human increase is very great unless it is checked by moral or social restraints of some kind. If these moral or social restraints fail to operate, the physiological power of increase is so great as to increase population to such density that vice, misery, or war, or all three combined, would thin out the people and thus operate as a final, physical, or absolute check upon further increase.

3. The reason for the inability of food to increase indefinitely in a given area of land is the law of diminishing returns, which may be briefly stated as follows: There

is a limit to the number of plants of a given kind that can grow on a given area of land. Even before that absolute limit is reached, efforts to increase the growth fail to yield results proportionate to the effort put forth. For example, you cannot double your wheat crop on a given acreage by the simple device of doubling the labor put into its cultivation, or, if you could, you could not quadruple or quintuple your crop by a proportional increase in the labor put forth. It was the recognition of this fact that led Mill, in restating the law of population, to argue as follows:

A greater number of people cannot, in any given state of civilization, be collectively so well provided for as a smaller. The niggardliness of nature, not the injustice of society, is the cause of the penalty attached to overpopulation. . . . . It is in vain to say that all mouths which the increase of mankind calls into existence bring with them hands. The new mouths require as much food as the old ones, and the hands do not produce as much. If all instruments of production were held in joint property by the whole people and the produce divided with perfect equality among them, and if in a society thus constituted industry were as energetic and the produce as ample as at present, there would be enough to make all the existing population extremely comfortable; but when that population had doubled itself, as, with the existing habits of the people, under such an encouragement, it undoubtedly would in little more than twenty years, what would then be their condition? Unless the arts of production were in the same time improved in an almost unexampled degree, the inferior soils which must be resorted to and the more laborious and scantily remunerative cultivation which must be employed on the superior soils, to procure food for so much larger a population, would, by an insuperable necessity, render every individual in the community poorer than before. If the population continued to increase at the same rate, a time would soon arrive when no one would have more than mere necessities, and, soon after, a time when no one would

have a sufficiency of those, and the further increase of population would be arrested by death.[1]

To summarize this part of the argument, it is simply that a larger number of people, in a given area and in a given state of civilization and the industrial arts, cannot be so well provided for as a smaller number. The two provisos contained in this summary are invariably overlooked by those who combat it. They either think in terms of a continuous improvement in the arts of production or they think in terms of an expanding area of land. The proposition has never been successfully assailed by anyone who has adhered strictly to these two qualifications: a given state of the arts of production and a given area of land.

Most modern criticisms of Malthus are based upon the observed fact that European peoples are better fed today than they were at the time Malthus wrote, in spite of the fact that their numbers have greatly increased. They overlook the qualifications that Malthus made, or they forget that there have been some improvements in the arts of production during the 130 years that have elapsed, and they overlook the vastly more important fact that European peoples are drawing their subsistence from many times the area of land that was necessary to provide them with subsistence in 1798 and that Europeans have been rather unscrupulous in their habit of taking land from other peoples on the American continent, in Australia, in South Africa, and in various other places.

[1] John Stuart Mill, *Principles of Political Economy* (New York, D. Appleton and Company, 1893), Vol. I, p. 245.

4. Another important point in the Malthusian theory is the fact that there is a strong natural instinct which inclines the members of the human species as well as the lower creatures to multiply. This instinct may be counteracted by other conflicting instincts or even by conflicting desires, but unless it is thus counteracted it will lead to a rapid increase of population and, in accordance with the law of diminishing returns, this increase of population will go beyond the limits where comfortable subsistence is possible unless there is migration to new soils or an expansion of commerce that will bring subsistence from wider areas.

5. This natural instinct is, however, opposed and held in check by several factors, leading in some measure to birth control. The first and greatest agency of birth control is human marriage, which substitutes responsible parenthood for irresponsible parenthood—at least on the part of those who are capable of feeling a sense of responsibility for their offspring. Let it be remembered that marriage is not necessary to multiplication. Multiplication takes place more rapidly among those creatures which have no formal marriage than among those which have it. Irresponsible parenthood, which may be described by the simple word spawning, uniformly results in a higher birth rate than responsible parenthood, which may be called family building; but family building implies a plan and the ability to subordinate the impulse of the moment to the larger plans of the future.

Where responsible parenthood exists, the rate of multiplication is at least partly determined by the ideas of the

people as to what is necessary to the proper support of a family. If a person is made to feel a real sense of responsibility and has definite ideas as to what is necessary to the decent support of a family, that person will not marry until he or she feels reasonably certain of being able to provide the family with those necessary things.

6. The ideas that prevail on the subject of what is necessary to the decent or proper support of a family are commonly called the standard of living. The standard of living, however, is something different from the mere habits of expenditure. How much money the people are in the habit of spending or what things they are in the habit of buying can easily be determined by the statistician. What constitutes their standard of living, however, is something that the mere statistician, considered merely as a collector of facts, cannot possibly find out, at least cannot find out unless he becomes a theorist and finds out by the method of inference. In general, the standard of living may be said to consist of those things which individuals, one with another, will be reasonably certain of possessing before they will marry or have children. Under this distinction we can say generally that if no one will marry until he has an income of $5 a day or more, then it is certain that no children will be legitimately born except in families that have incomes of $5 a day or more. If no one will marry until he has a bank account or an insurance policy, then no children will be legitimately born except in families that have savings accounts or insurance policies. If no one will marry until he is able to afford an automobile, then no children will be legitimately

born except in families that can afford automobiles; and so on.

Generally, the higher the standard of living, the later the age of marriage and the smaller the number of children per family. Even a slight retardation in the average age of marriage will make a considerable difference in the general rate of increase of population—first, by reason of the fact that generations are, on the average, a little further apart, and second, by reason of the fact that late marriages usually result in smaller numbers of children than early marriages.

The difference resulting from the longer interval between generations is more important than is commonly supposed. Let us suppose that in one community the standard of living is so low or the conditions of life so favorable that marriages take place very early and that the average interval between generations is 25 years—that is, generally speaking, the average age of the parents is 25 years greater than the average age of their children. And let us suppose that in another community the standard of living is so high and marriages take place so late in life that the average interval between generations is 33⅓ years. Even though the average number of children per family were the same in both cases, there would soon be a great difference in the total population of the two communities. Let us suppose, for the sake of simplicity, that in both communities the average pair brings to maturity and marries off 4 children. This would mean that the population doubled each generation, but in the community where the generations were only 25 years apart

the population would double 4 times in a century. In the other it would double 3 times in a century. If the two communities at the beginning of the century had the same population, at the end of the century the one in which earlier marriages took place would have twice the population of the other.

Number of years.....	0	25	33⅓	50	66⅔	75	100
Increase of population:							
First community	1	2		4		8	16
Second community	1		2		4		8

If, in addition to this longer interval between generations, the number of children born to each family in which marriages took place early were greater than in the one where marriages took place late, the difference would be still wider. In fact, it is the general observation that in those sections that maintain the highest or at least the most expensive standard of living, population scarcely maintains itself; that is, there is either no increase at all from generation to generation or, in extreme cases, there is a positive decrease. If this should be the case in the community where late marriages prevail, the population might remain stationary, but it might increase very rapidly where early marriages prevail.

Generally speaking, economists have relied upon the standard of living to control population automatically. Malthus himself was the leader in this line of thought. The greater part of his volume on the *Principle of Population* is devoted to the checks on population as they operate in different parts of the world, and among these checks the standard of living is the one to which he gave

most attention. He believed also that the standard of living tended to rise under liberal and democratic institutions and with popular and universal education. Therefore, he became an ardent advocate of liberalism as the best means of improving the conditions of the laboring classes. In fact, the development of institutions and industries in this country, giving a free chance to everybody, and our system of universal and popular education, are almost exactly what Malthus advocated for England. I do not wish to imply that the founders of our Republic or those who built upon their foundation were greatly influenced by the reading of Malthus. I will say, however, that if they had been devoted disciples of Malthus and had planned deliberately to embody in our institutions the teachings of Malthus, they would not have done very differently from what they did. Incidentally, I may mention that Benjamin Franklin was to a certain extent a forerunner of Malthus in his treatment of the population question, and few men had more influence on the development of our institutions than Benjamin Franklin.

Unfortunately for the popularity of the great treatise on the principle of population, European colonization, and especially the spread of European commerce, expanded the area from which European peoples drew their food. In fact, the areas from which they drew their food expanded more rapidly than the population itself. While this as an historical fact was not anticipated by Malthus, it was, nevertheless, provided for under his theory, which was simply that in a given area the increase in the production of food followed the law of diminishing returns and

that if population continued to increase in that area unchecked by prudential restraints, there must follow either an ultimate shortage of food, or there must be migration to new and larger areas.

In spite of the obvious soundness of this reservation and the prominence which Malthus gave it, very few of his critics have ever shown enough discrimination to take account of it. They have commonly assumed that they were refuting Malthus when they were merely pointing out that, as the area from which food was drawn increased more rapidly than the population to be fed upon that food, the food supply tended to grow more abundant instead of less abundant. I know of no subject in the whole field of intellectual controversy in which there has been so much persistent ignoring of the obvious as in this subject of population and food.

In order successfully to controvert Malthus it will be necessary to show that the present population of England, for example, could be as well fed from English soil alone as it was in the days when Malthus wrote. It is obviously no refutation to show that three times as large a population is better fed from four times as much soil. It is not an effective refutation to show that over 100 millions of people in this country are now as well supplied with food as 5 millions were at the time Malthus wrote. It would be necessary to show that our present population, in excess of 100 million, could be as well fed from the soil of the original thirteen states as the 5 millions were at that time. As a matter of fact, the migration of our people across the continent seems to reflect a desire for

more land, or a recognition of the fact that more land is better than less land in the support of a large population.

The preposterous idea is sometimes suggested that the spread of population over wider and wider areas is not due to the law of diminishing returns but rather to the desire for a greater variety of food.[1] If there is anything certain it is that pioneers to new countries have less variety than those who remain in the older settled portions. Pioneers into our great West secured no new varieties of food that were not available on the Atlantic seaboard. They did, however, enormously increase the quantity of a few standard foods, such as wheat, corn, beef, and pork.

The ability or the willingness to migrate to new areas temporarily, at least, relieves the stress of population. Where the people are either unwilling or unable to migrate, they have two alternatives. One is a reduction of the birth rate; the other is overpopulation. So important is this question of migration that we may say that there are two distinct types of civilization, which we may call the pent-up and the expanding.

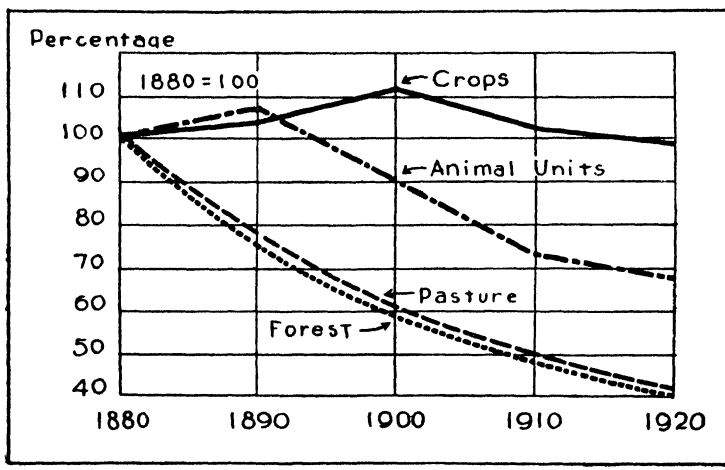
TYPES OF CIVILIZATION

Pent-up	Birth Control	Responsible parenthood	Marriage
			Property
		Contraceptive practices	
	Overpopulation		
Expanding	Migrating to new lands		
	Developing new markets		

The expanding type of civilization requires either emi-

[1] See Simon N. Patten, *Essays in Economic Theory* (New York, 1924), p. 270.

gration to new land or the development of new markets by means of which food and raw materials are brought from wide areas and finished products are sold back in return to the inhabitants of those wide areas. The pent-up type of civilization is found either in those European countries where birth control is carried on to such an extent as to maintain a stationary population or in those Oriental countries where population has grown so dense as to make it difficult to feed the increasing numbers. Examples of the expanding type are found in England, Belgium, and the Netherlands, which countries merely expand their markets, as well as in the United States and Canada, where the people expand their tillable area. In this country, for example, down to about 1900 we were expanding our farm land more rapidly even than we were



From United States Department of Agriculture, *Year-book*, 1923, p. 72.

Figure 1: Trend in per capita acreage of crops, pasture, and forest and in amount of live stock, United States, 1880-1920.

expanding our population. The diagram in Figure 1 shows how the acres of crops per capita in the United States increased between 1880 and 1900 and then decreased afterward.

It is significant to note that about 1900, when the area per capita began to decrease, or, in other words, when the total population began to increase more rapidly than the total acreage in crops, was the time when we first began to hear about the rising cost of living. In short, the population was beginning to catch up with the expanding acreage. Agriculture was beginning to pay, and continued to do so until the great slump following the World War. The impoverishment of our best customers for agricultural products created another agricultural depression which will probably be automatically relieved as soon as our foreign customers regain their former prosperity.

The general retardation in the rate of the expansion of farm acreage has brought the Malthusian principle of population again into prominence. A number of books have been written in recent years restating the formula of Malthus and calling attention again to the danger of an ultimate shortage of food. Students of agriculture, however, are not convinced that there is any immediate prospect of such a shortage. It is probably correct to say that the only food problem which this country will be called upon to face during the next century will be where to find consumers for the surplus food which our farmers will be able to grow.

It must be remembered that very few of the agricultural improvements of the past have enabled anybody to

grow more food on an acre of land. They have been designed rather to enable one man to work more land. We have increased our food supply by increasing our acreage rather than by increasing the productivity of the soil. When new areas of land are no longer available and acreage begins to run short, there is a vast field for the inventor who will be called upon to solve the problem, not of how one man may cultivate more acres but of how each acre may be made to produce more food.

Of course, an acre of land may be made to produce more food by the simple device of putting more work on it, but the effect of that method is invariably to reduce the product per man and to impoverish the worker on the land. This is not desirable and, what is more to the point, it is something to which our American farm laborers will not submit. If we are ever to increase the product per acre in this country, it must be by some other method; that is, by the use of better tools, more power, and a wider use of fertilizers. This will be done promptly whenever the price of agricultural products will justify it. Even the slightest tendency toward a scarcity of food will be reflected in advancing prices for farm products, and this will be a sufficient stimulus to induce our farmers to grow more per acre. The question of food for the general population is destined to take care of itself automatically without any worry on our part. The only question on which anyone needs to worry is, as I said before, where to find buyers for it at prices that will remunerate the farmer.

However, that is not in any way a refutation of Mal-

thus or an assertion that the time will never come when the problem of food may become an acute one. So far as these ultimate problems are concerned, every economist is, as a matter of course, a Malthusian of one kind or another. He could not be otherwise if he once understood Malthus.

One great source of misunderstanding is the failure to distinguish between the results of a more and more intensive cultivation of land in a given state of knowledge and the results of increasing knowledge over periods of time. In order to make this distinction perfectly clear, the series of diagrams in Figure 2 may be useful.

Graphs I, II, III, and IV illustrate what is known as the tendency toward diminishing returns at a given time, which, of course, means a given state of knowledge. Let us suppose that in Graph I the results of intensive cultivation in a given year, 1920, are shown. Along the line *OX* are represented the number of units of labor and capital used in the cultivation of a given area of land. Along the line *OY* are represented the returns from the application of different quantities of labor and capital. The curve *ABB'* represents the tendency toward diminishing returns. When, according to these assumptions, the number of units of labor and capital is represented by the line *OC*, the marginal product is represented by the line *BC*.

In a precisely similar way, with the same assumptions, let us use graphs II, III, and IV to represent the same things with respect to each of the years 1930, 1940, and 1950. During each interval there is assumed to have occurred some improvements in the knowledge and tech-

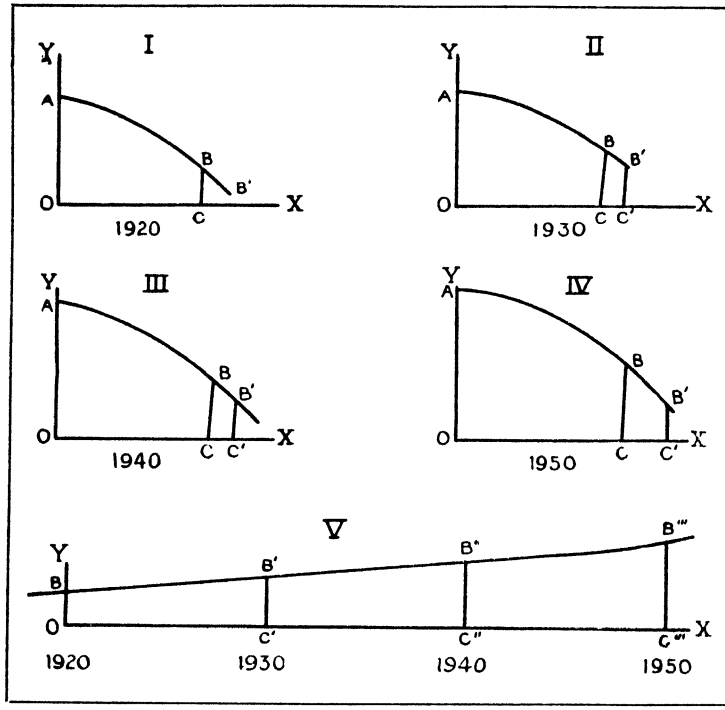


Figure 2: Graphical representation of diminishing returns for different states of agricultural knowledge.

nique of farming. This is shown by the fact that the curve *ABB'* is higher in each successive decade.

These improvements may produce one of the following results: First, a much larger number of units of labor and capital could be used in each decade on the same area without lowering the marginal product; or second, the same number of units could be employed in each decade on the same area and produce a much larger marginal product; or third, a slightly larger number of units of

labor and capital might be employed and produce a slightly larger marginal product.

Taking the third of these possibilities as the one which actually happens, we could represent the results of improvements in the knowledge and technique of agriculture by means of Graph V. In this diagram, the line *BO* is identical in length with the line *BC* in Graph I and represents the marginal productivity of labor and capital on land in the year 1920. Line *B'C'* in Graph V is identical in length with line *BC* in Graph II, line *B''C''* in Graph V with *BC* in Graph III, and *B'''C'''* in V with *BC* in IV. The curve *BB'B''B'''* in Graph V thus represents the assumed rate of progress in well-being, in so far as this depends upon the marginal product, during the thirty-year period. This rate of progress in no way offsets or contradicts the law of diminishing returns. This law is not a statement of historical trends, but of the way land responds at any given time to different applications of labor and capital.

However, there is need for a further refining of the Malthusian theory, or bringing to the front certain special considerations that are not sufficiently emphasized when that theory is stated in its cruder form. The Malthusian doctrine concerns itself with the possibility of general overpopulation. There is a more refined form of Malthusianism, however, which concerns itself with the more immediate problem of congestion. General overpopulation must, of course, be considered as a future possibility unless rational checks are enabled to function as limiting factors in the rate of increase. But in the western world

at least, the one phase of the population question that need cause anxiety in the near future is the question of congestion.

Congestion of population is of two forms, local and occupational. Local or territorial congestion is so easily solved in these days of effective transportation as to require no serious study. The problem of occupational congestion, however, is not so easily solved.

Before the days of minute division of labor, the difference between occupational congestion and general overpopulation would not be very great. In every advanced industrial system, however, the division of labor has been carried so far and different occupational groups are so dependent upon one another as to create a wide difference between occupational congestion and general overpopulation. If, to take an extreme example, there should be in any locality more hodcarriers than are needed to work with the existing number of masons, that part of the world is, for the time being, overpopulated with hodcarriers. Hodcarriers will be just as badly off in that situation as they would be if there was general overpopulation throughout the entire world. However, in that situation the overpopulation of hodcarriers could be relieved in either of two ways: first, by a decrease in the number of hodcarriers; second, by an increase in the number of masons and others who are required to balance the oversupply of hodcarriers. In this latter case, the overpopulation of hodcarriers would be relieved by an increase in the total population, provided this increase took place in other occupations than that of the hodcarrier. It

may sound a little paradoxical, but in reality it is not, to say that this special phase of overpopulation is relieved by a net increase in the total population. What is said about the possible overpopulation of a portion of the world called hodcarriers can be repeated with respect to any other specialized occupation. It may even be true of a considerable number of occupations.

We had in this country a congestion of all agricultural occupations during the seventies, eighties, and early nineties of the last century. The Homestead Law, giving free land to actual settlers, the building of transcontinental railroads in advance of settlement, the rapid development of farm machinery, the roller process of manufacturing flour, and the rising tide of European immigration, all combined to cause an overdevelopment of agriculture. Western America was overpopulated with farmers who were growing too much agricultural produce. The farmers were just as badly off as they would have been if the whole world had been generally overpopulated with all kinds of people. For that situation there were only two possible cures. One was to thin out the farmers. The other was to wait until the rest of the population increased sufficiently to balance the excessive number of farmers. In short, that form of overpopulation was to be cured by an increase in the total population, provided that increase took place in the consuming centers rather than in the fields of agricultural production.

A similar situation exists in the coal mines of the United States at the present time. There are more coal miners than are needed to supply coal for the rest of the

population. The result is they cannot all be employed continuously. Being employed only a fraction of the year, their annual earnings are low in spite of the fact that their wages per day or per piece are high. Again, there are two cures for that situation. One would be to thin out the coal miners; the other would be to wait until the rest of the population increased sufficiently to use enough coal to keep the existing number of miners occupied most of the year. In short, that phase of overpopulation which we have called occupational congestion in the coal mines can be relieved by an increase in the total population, provided that increase takes place outside of the mining communities.

Even in older countries, where population is much more dense than it is in this country, the same observation holds true. In a country where there is a great deal of unemployment in the industrial centers, it looks to some like general overpopulation. However, the unemployment is confined to certain occupational groups. The fact that there is a surplus of manual and clerical workers indicates a deficit of managers and enterprisers. Even this apparent overpopulation, which is really occupational congestion, can be relieved in two different ways, as indicated in the previous illustrations: that is, manual workers might be thinned out by emigration and colonization, or they might be employed at home if more intelligence were massed on the problems of management and industrial expansion, that is, if there were larger numbers of highly capable men massing their intelligence on these problems. This would mean an increase in population, but the in-

crease would take place outside of those occupations that are now overcrowded and in which there is unemployment. If it were possible for England to import ten thousand Henry Fords, that would constitute an increase of ten thousand in the total population, but it would go a long way toward relieving the overpopulation of manual workers by so expanding English industries as to employ every worker.

Even those countries that are supposed to be acutely overpopulated are just the countries in which the most extreme luxury is found. The overcrowding of certain occupations automatically creates a deficit in certain other occupations. The few who are capable of functioning in those occupations which are undercrowded automatically become exceedingly rich. Even in these cases it is not beyond all possibility that the apparent overpopulation could be partially relieved by an increase in the total population, provided that increase took place in those occupations that are undercrowded. This would be true at least until the absolute scarcity of land became the limiting factor.

A system of universal and popular education, provided the education is not dilettantic, would be a very effective method of redistributing the population occupationally. Such a system of education would make it possible for larger numbers to escape the intensely overcrowded occupations and fit themselves for the less crowded. If the educational system were comprehensive and included business and professional schools of a high order, it would tend to shift the balance upward toward the professional,

managerial, and enterprising occupations. This, to be sure, would not mean a general increase in the total population. It would merely mean an occupational redistribution of the population.

A net increase in total population that would relieve the congestion at the bottom of the economic scale might take place in one of two ways: first, by the immigration of men of business talent and training; second, by a more rapid rate of natural increase within these classes. As a matter of fact, there are certain backward countries today that are receiving immigrants of this type from the more advanced countries. Technicians, business managers, and enterprisers are going to some of these backward countries and helping to develop industries. This automatically relieves, to a certain extent, the occupational congestion at the bottom by increasing the demand for the lower grades of labor. The other method of increasing the number of such people is merely that of breeding them. One reason why such men are scarce is undoubtedly the fact that the rate of increase among such people is usually lower than the rate among the people who fill the lower ranks. A somewhat higher birth rate among the more capable classes would tend to increase the ratio of men of high capacity to those of lower capacity. A decrease in the birth rate among those of low capacity would, of course, affect the ratio in the same way. The aim of the birth control movement is both to increase the birth rate among the more capable and to decrease it among the less capable.

Economists have perhaps placed too much dependence

upon a high standard of living as a check upon population. As a preventive of general overpopulation it is probably effective; but, as stated above, our present concern is not so much with the problem of general overpopulation as with that of occupational congestion. As a preventive of occupational congestion, the standard of living is not universally effective. To begin with, rational foresight is a factor in the standard of living. Expensive habits do not constitute a high standard of living unless coupled with enough foresight to cause people to postpone marriage and reduce the birth rate in order to maintain those expensive habits. In the least intelligent strata of society there is so little foresight as to destroy the effectiveness of expensive habits as a check on the rate of multiplication.

In the extreme case of the feeble-minded there is practically no foresight at all. In the strictly technical sense, therefore, there is no real standard of living among them. They will multiply regardless of their inability to support children. Any country that permits free multiplication among those of low mentality will therefore always have a congestion in those occupations that can be carried on by persons of low mentality. Such people in such a country will always be as badly off as though the whole world were overpopulated. The only way of preventing this is some means of segregating such people or otherwise preventing their free and unrestrained multiplication.

Before anything can be done to remove the menace of the feeble-minded, we must convince ourselves that it is a real menace. Some people are not convinced. It is seri-

ously suggested that it may become necessary to breed morons in great abundance to do our rough work. How, it is argued, can we, the self-styled *intelligentsia,* live refined lives if we have to do our own rough muscular work? In ancient civilizations they had slaves, but slavery is now impossible. In certain old countries today they have abundant supplies of cheap labor—labor which is, all things considered, cheaper than slaves. In these countries refined people can have well trained servants because well trained servants are abundant and cheap. There are all sorts of menial work there which capable and industrious men and women are glad to do for wages that can be paid by people in moderate circumstances. But in the United States it is hard to find any one to do menial work, and when such persons are found they command wages that put them beyond the reach of any except the very rich. Therefore, it is argued, we must increase our supply of low-grade, poorly paid labor. If we cannot import it because of our immigration laws, we must breed it.

To begin with, men and women do not exist in order that we, the self-styled *intelligentsia,* may have cheap help. In the next place, we are not the inventive race that we pride ourselves upon being if we cannot invent machines to do what we do not like to do for ourselves or cannot hire others to do for us. The machine is for us what slaves were for ancient civilizations and what cheap labor is for the lower civilizations of the present time.

One penalty we must pay for this policy of substituting machines for slaves is that we very soon become dependent upon machines in precisely the same sense that the

slave owners became dependent upon their slaves and that the leisure classes in old countries are dependent upon trains of cheap but efficient servants. This dependence upon machines is a penalty that must be faced, but it should be faced intelligently by recognizing it for what it is. It only confuses the problem to say, as some are saying, that if we are dependent upon machines we become slaves of the machines. According to that form of perverted logic, the slave owners were really the slaves and the slaves the masters, because (!) the owners became dependent upon their slaves.

If productivity is increased by machine production, then the country that develops its productive machinery will either support more people on the same scale of consumption or the same number of people on a more lavish scale of consumption than is possible for a country that sticks to hand methods. After once making that choice, there is a severe penalty for a return to hand methods. Either the population must be thinned out, or it must accept a lower or less expensive standard of living. No people has ever willingly accepted either alternative. Therefore we, who are machine-using people, must go on using more and more machinery unless we are willing to face a thinning out of our population, or a lowering of our standard of living. The thinning out of the population could take place only in three ways, a decrease in the birth rate, an increase in the death rate, or emigration. The lowering of the standard of living might take the form of giving up some of our leisure, by working longer hours or having fewer holidays, or of giving up some of those goods and creature

comforts that machine production now enables us to enjoy.

During the greater part of human history the standard of living has been so low for the masses as to make it impossible to reduce it very much. Consequently, any decline in the productivity of industry has generally meant a thinning out of the population in one of the three ways mentioned above. There has, therefore, always been a powerful reason against giving up a more productive in favor of a less productive method. The population question supplied the reason.

Herding, for example, is a more productive method of using land than hunting, and plowing a more productive method than herding. Any tribe that has once made the transition from hunting to herding, or from herding to plowing, is not likely to relapse unless forced by military conquest to do so. Neither is any nation that has once made the transition from hand work to machine work likely to relapse voluntarily into a less productive industrial system. The penalties are too severe.

However, from the non-economic point of view, there is always a great deal to be said against the advance to a more productive or in favor of a return to the less productive system. Cain, for example, according to the old story, was a plowman while Abel was a herdsman. The business of plowing literally kills the business of herding, and, figuratively, the plowman may be said to kill the herdsman. There is no help for it, and there is no return to herding except by paying the penalty of migrating to new pastures, which usually means the extermination of their occupants, or of thinning out the population, usually

by increasing the death rate. The population question, again, supplies the reason.

Yet the uneconomic minds, or those minds which prize mellow tradition, the ancient ways, the old-time religion, the world as God made it, pretty generally revolt against this change from the less to the more productive methods. They refuse to call it progress and can always find reasons against it, or in favor of a return, which to them are satisfactory. The writer of the story of Cain and Abel was evidently of that mind, as are also those who are today urging a return to the handicraft stage of industry. However, the law of population is against them. It is no wonder that they dislike to hear it mentioned.

Machines enable us to live in large numbers and also to live well and even elegantly without either slaves or cheap labor. However, our ideas as to what it means to live elegantly must undergo a change. So long as we try to follow those standards of elegance that were set for us by people who had either slaves or cheap servants to look after and wait upon them, we shall be at a disadvantage. An intellectual and esthetic revolution must accompany the industrial revolution that was and is still being brought about by power-driven machinery.

Our ideas as to what refinement and elegance mean are very largely traditional. When our traditions on such matters were formed, machines played a very small part in the lives of our ancestors. Cheap labor enabled the few to avoid rough work and live lives that they chose to call refined and elegant. But for those cheap laborers there was not much of either refinement or elegance, as

the aristocratic few understood such terms. It is quite possible to create new traditions and conventions as to the meaning of such terms, based on machine production. When this is done, we shall have refinement and elegance quite as satisfying as any that any previous age enjoyed, and it will have the incalculable advantage of being within the reach of all. Machinery will make it unnecessary to condemn the many to squalor and hard muscular work in order that the few may cultivate the graces of polite society.

The problem of the occupational redistribution of the population is not altogether a matter of education. It is partly a matter of breeding and heredity. So far as any existing generation is concerned, its heredity is, of course, already determined. Since that factor cannot be changed in a generation that is already born, the only thing to do is to educate it or at least to improve its environment, and education is the most positive and effective method now known for improving the environment of a growing generation. But when we are considering the future of society we must consider the heredity of unborn generations as well as their environment.

One fundamental difficulty which in itself is enough to menace our civilization, or at least to cast some doubt upon the possibility of its permanence, is the differential birth rate. In so far as it is true that those who are able to fit themselves into our civilization and to make such contributions to it as to win distinction for themselves are failing to multiply or to leave patterns of themselves, so far does that tend to deplete the supply of men of high

capacity. Again, in so far as those who fail to do more than work under direction and who make a rather poor living at that multiply at an inordinate rate, just so far does this tends to increase the numbers of that kind of people. If these two tendencies are found working in combination in our civilization, it is a foregone conclusion that our civilization will run its course and decline, as others have done. When the time comes, if it ever does, when our population is made up of those who lack initiative and creative power and who must, therefore, work under the direction of others, and when there are too few others with initiative and creative power to direct the inert mass, then our civilization will be at an end.

There is ample evidence, from a variety of sources, that those who possess social adaptability in the form of initiative and creative capacity are not reproducing their kind at the same rate as those who show no capacity for anything except that of working under direction. It is also to be feared that with our amazing prosperity and the extent to which philanthropy has extended itself, we are lending some encouragement to an over-rapid multiplication among those of low capacity. Whatever the facts may be, the possibilities in this direction are somewhat alarming. This may be made clear by a study of the curve in Figure 3.

If in a given population we can find some way of measuring capacity and indicating it on the line OY, while we indicate the numbers along the line OX, we may assume that a normal distribution of capacity might be represented by the solid curve ABC'. If the conditions of life

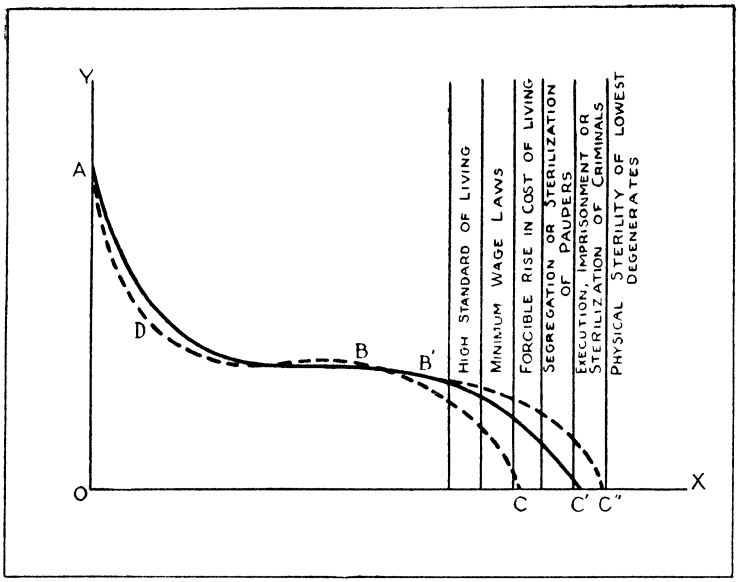


Figure 3: Graphic representation of the differential birth rate in capacity and in lack of capacity.

were exceedingly hard so that the lower levels of capacity were cut off by starvation, hardship, or the inroads of enemies, the number of weaklings might be so reduced as to be represented by the line *OC* instead of *OC'*, in which case the distribution of capacity would be represented by the curve *ABC* instead of *ABC'*. However, if conditions are made abnormally easy and the more capable are compelled to support the incapables who would otherwise perish, while medical and other devices are found which enable those of naturally very low capacity to multiply and reproduce their kind, the total number living might be extended to *C''*, and the curve of the distribution of ca-

pacity would be then represented by the dotted curve *ABC''*. In addition to this it might happen that through social and other reasons the rate of increase among the more capable should be abnormally reduced. This could be represented by an appreciable sagging in the curve, as indicated in the dotted line *ADB,* in which case the general curve of the distribution of capacity or social adaptability would be represented by the dotted curve *ADB'C''*.

Where this is found to be the case, the prediction could be made with a good deal of certainty that, sooner or later, the great inert mass who have to be directed would be so numerous and those with the creative capacity to direct them so few as to make it impossible to organize and direct the energies of the people in such ways as to maintain a high standard of civilization. A certain balance of energy, similar to that which exists among plants and animals, would result, and this would mean the end of that particular civilization.

In order to avert such a calamity where it is found to be imminent, something must be done to flatten out the curve or to bring the curve back to something near its normal shape. This can be done only by reducing the rate of multiplication among those near the right end of the curve and by increasing the rate among those at the left end of the curve. Physical sterility, of course, cuts off the lowest grades of degenerates in spite of all that unwise philanthropy can do to increase their number. Above the level of physical sterility something must be found to reduce the rate of multiplication. Several agencies are already at work and they may be made much more effec-

tive. First, we have the criminal law, under which the lowest grades of criminals are either executed or segregated. Even imprisonment results in their complete or partial sterilization, especially if they are imprisoned for long periods of time. Next is the segregation or sterilization of paupers of breeding age. This also has some effect in reducing the numbers born with low capacity. Building regulations and other devices to increase the cost of living to the poorer classes will automatically force increasing numbers into the pauper class. One of the most effective devices is a rigid minimum wage law. If no one should be permitted, under any circumstances, to work for less than five dollars a day, it would undoubtedly reduce the rate, or increase the age, of marriage among the less economically capable. The man who could not get a job at all would automatically become a pauper and be thus prevented from marrying. Those that were capable of earning five dollars a day would then have somewhat better conditions under which to bring up their families.

Each of these methods may be made more effective than they now are as a means of reducing the rate of multiplication among people of low capacity. In the application of criminal law it is especially important that the ordinary low-grade criminal should be somewhat more drastically dealt with than at present. The lowest types are not those that commit what are commonly called the gravest crimes. They are the recidivists who repeatedly commit petty crimes. In fact, the inmates of our Federal prisons who are there for the graver offenses prohibited by Federal law show a fairly high average of intelligence.

The criminals who come up regularly before the police courts for petty stealing, drunkenness, and general disorder and who are, as a rule, dealt with very leniently and therefore permitted to multiply without much interference are the ones who, in the interests of eugenics, should be effectively prevented from multiplication. If our entire administration, not only of criminal law but of poor relief, and if our labor legislation were all made more drastic, they would tend more and more to thin out the low grades of intelligence or economic adaptability and, to that extent at least, raise the general average.

However, none of these devices would affect the sag *ADB* at the left end of the curve. It is difficult to see how any positive or direct legislation could have much effect on this problem. If, as some believe, the sag is entirely due to the sterilizing effect of mental activity, this would seem to be a matter of physiology upon which social control can have no appreciable effect. If, on the other hand, as some believe, this is largely a matter of social habit or convention, the problem may be difficult but it is not physically impossible of solution. Social standards and habits are capable of change, even though it is difficult to find ways of changing them.

One apparent reason for the low rate of multiplication among intellectual workers is the fact that with most of them their one absorbing ambition is an intellectual career. Until that ambition shows signs of being realized, they have not time or inclination to think of anything else. But it is not beyond the possibilities of a constructive imagination to picture a society in which the highest ambi-

tion of every person capable of harboring an overpowering ambition would be to found a noble family or to perpetuate a family already honorably and nobly founded. In such a society, with such ideals, business, professions, and arts would take second place. These careers would be pursued not for their own sakes but for the purpose of realizing the main ambition—that of family-building.

Another reason for this sagging (one much less difficult to deal with) is that in the most intellectual occupations the man's earning power in the early years of life is practically *nil.* He does not begin to earn enough to support a family until near middle life, and that leaves comparatively few years in which to achieve a family. A very moderate amount of financial rearrangement could solve this problem. On this point Francis Galton made, more than a generation ago, the following profound observations:

> The long period of the Dark Ages under which Europe has lain is due, I believe, in a very considerable degree to the celibacy enjoined by religious orders on their votaries. Whenever a man or woman was possessed of a gentle nature that fitted him or her to deeds of charity, to meditation, to literature, or to art, the social condition of the time was such that they had no refuge elsewhere than in the bosom of the church. But the church chose to preach and exact celibacy. The consequence was that these gentle natures had no continuance, and thus, by a policy so singularly unwise and suicidal that I am hardly able to speak of it without impatience, the church brutalized the breed of our forefathers. She acted precisely as if she had aimed at selecting the rudest portion of the community to be, alone, the parents of future generations. She practiced the arts which breeders would use who aimed at creating ferocious, currish, and stupid natures. No wonder that club law prevailed for centuries over Europe; the wonder rather is that

enough good remained in the veins of Europeans to enable their race to rise to its present very moderate level of natural morality.

A relic of this monastic spirit clings to our universities, who say to every man who shows intellectual powers of the kind they delight to honor, "Here is an income of from one to two hundred pounds a year, with free lodging and various advantages in the way of board and society; we give it you on account of your ability; take it and enjoy it all your life if you like: we exact no condition to your continuing to hold it but one, namely, that you shall not marry."[1]

Until recently, the policy which Galton so severely condemned was pursued even by many of our American universities. A somewhat less narrow attitude is showing itself, but much more might be done in the direction of encouraging the holders of fellowships and young instructors to marry rather than to remain single.

In business and professional life something might also be done to enable young men to marry without having to wait until they had achieved economic independence in these economically hazardous occupations. So far as the young men and women involved come from well-to-do families, the families should themselves assume some responsibility. If more men should cultivate what Victor Hugo called "the gentle art of being a grandfather," even if they do nothing more than to ease the economic burden of young parents, a positive contribution to eugenics would be made. It is fair to say, however, that a great many middle-aged and elderly people are actually doing this. If people should only preach as well as they practice in this as well as in some other respects, it would be a much better world.

[1] From *Hereditary Genius,* New York, The Macmillan Company, 1892.

X

THE SUPPOSED NECESSITY FOR AN INDUSTRIAL RESERVE ARMY[1]

TWO distinct groups are in the habit of insisting that an industrial reserve army, or a normal surplus of laborers, is necessary to the maintenance of the present industrial system. First, there are certain employers of labor who find it very convenient to their purposes to be able to hire and fire, to increase or decrease their labor force, according as business is brisk or dull. Some of these are doubtless honestly unable to imagine how they could do business in any other way, and really think that their business would be ruined if there were no normal surplus of laborers who might be called in when business was especially active and orders were coming in rapidly, and discharged when orders for new goods were diminishing. Consequently, they state almost as an axiom that such a labor reserve is essential to modern industry. Second, there are certain enemies of the present industrial system who accept as true these statements of the employers and then use them as a basis for attacking the whole system and insisting on a new economic order. If, they insist, the present industrial system cannot exist without a normal condition of unemployment for large numbers of

[1] See article by T. N. Carver in the *Journal of Social Forces*, March, 1926, which is here reproduced by permission.

men, or if it can employ all laborers only in boom times, then the present industrial system is not fit to exist. If the original assumption were true, this conclusion would probably be unassailable. The assumption happens to be false.

In demonstrating the falsity of that assumption it is not necessary to attempt to show that an industrial reserve army is not *convenient* to certain employers, or to deny that if there were no industrial reserve army certain weak employers might go to the wall and others have their profits reduced. But while the employers' difficulties might be increased if there were no labor reserve, the superior intelligence of the surviving employers might be able to meet them. That is what employing intelligence is for—to solve problems and meet difficulties. This, of course, only presents an alternative; but it is something to show that there is an alternative, or that it is not a foregone conclusion that industry must cease to exist if there is no labor reserve.

Not every practical business man is gifted with a constructive imagination. He may be able to solve problems in detail when each detail is presented as an immediate difficulty and yet be unable to see the problem as a whole, much less to see in advance how he could solve a whole group of hypothetical problems that have not yet arisen.

This explains why so many practical men in a protected industry say positively that they could not do business at all without a protective tariff. The removal of the tariff would undoubtedly create difficulties that might eliminate a few of the weaker or less well managed indus-

tries, but the survivors, being presumably better managed, and being certainly relieved of the competition of their defunct rivals, would find a way to carry on. So it is with many new difficulties when they arise. The restriction of immigration, shutting off large supplies of cheap labor, would, according to some of these short-sighted prophets, completely destroy American industry. Not long ago certain members of a manufacturers' association said positively that the textile industry of New England required at least 100,000 new wage workers a year to replace those that were lost by old age, death, and the migration to other industries. An air of statistical finality was given to the argument by carefully prepared and presumably correct statistical charts showing the losses from these three sources. Then I was asked to give the figures showing just where these losses could be made up if immigration were restricted. And yet, the very men who were then unable to see how the problem could possibly be solved have gone to work as practical men to solve it, partly by paying wages that tended to check the migration to other industries, but mainly by superior labor-saving methods by which the same product can be produced with less labor. Yet even now, there are a few self-styled practical men left, and a few others who pose as economists, who insist that without a large supply of cheap labor our industries must fail and our prosperity come to an end.

Even some of the older British economists, before Adam Smith put things in a true perspective, were in the habit of looking at the problem of national economy wholly from the standpoint of the upper classes. Conse-

quently, they fell into the error of including an abundant supply of cheap labor, along with soil, mines, and other natural resources, among the factors that made for national wealth. Even today we occasionally hear a belated voice proclaiming that we must have cheap labor to make a prosperous nation. Give us immigrants and we will give you steel, said Judge Gary. How can we live a life of elegant leisure without cheap and efficient servants, say the esthetes. All this overlooks the fact that cheap labor means poverty instead of riches for the wage workers who, man for man, must be reckoned as of equal importance with business and professional men, scholars, and artists. Undoubtedly it would be to the advantage of all these groups, who do not have to compete with manual workers, to have plenty of cheap labor to wait upon them as menial servants, muscular workers, or mechanics. But precisely the same reasoning that leads to this conclusion leads equally to the conclusion that it would be a great advantage to the manual workers to have an abundant supply of competent business and professional men, doctors, artists, actors, and the like, all compelled by competition to work hard and efficiently for low profits, salaries, or fees.

In view of the fact that business enterprisers who are supposed by many to be the very keystone of the present economic structure, that the leisure class who live mainly on inherited wealth and are therefore the one class which would lose everything and gain nothing from a change in the economic system, and that even a few artists and scholars who envy their European and Asiatic colleagues

their cheap servants seem so generally to regard an abundant supply of cheap labor, which means a mass of poverty, as a necessary factor in their comfortable existence, it is not surprising that others should accept this general idea as a fact and say, "Away with such an economic system!"

I should frankly agree with them if I were once convinced of their first assumption. A system is not worthy to last a single week that requires a mass of poverty or unemployment for its continuation. I hereby announce myself as ready to join a revolutionary party for the immediate overthrow of the present economic system the moment anyone can show even a preponderance of evidence in favor of the proposition that both poverty and unemployment are incurable under the present system.

One of the most recent pronouncements based on the assumption that an industrial reserve army is necessary to the existence of the present economic system is contained in a recent article by Ross L. Finney.[1] Commenting upon a suggestion of mine that an increase in the number and quality of entrepreneurs, technicians, and capitalists would greatly increase the demand for labor of the lower grades and thus tend to raise wages and eliminate unemployment, Mr. Finney has this to say:[2]

> . . . And with jobs for everybody the sky would be the limit. But meantime the profits of marginal entrepreneurs would disappear; whereupon they would shut down, thus throwing men out of work—which would not be so fine. This is exactly what

[1] "Unemployment: An Essay in Social Control," *Social Forces*, September, 1926, pp. 146-148.

[2] The italics in the quotation are mine.

did happen between 1918 and 1921 *as the result of the unusual war demand for labor.* In short, the surest result of jobs for everybody would be that as many would be out of work as before. Nothing would so surely break the mainspring of our economic machine as universal employment.

Automatically, the profits system constantly maintains a great reserve army of unemployed. To reduce this reserve is to reduce *marginal* profits, and so recruit the reserve. To abolish the reserve would be to abolish *profits,* and so abolish the system. By one means or another the ratio between workers and jobs must be maintained. If the number of workers cannot be increased by immigration, then the number of jobs must be decreased, either by retrenchment or the introduction of labor-saving machinery. The reason there are too few jobs is because it would wreck the system to provide them; and under the system the ratio is self-regulatory. In other words, unemployment is a fundamental necessity, and therefore an inevitable by-product, of the profits system.

The next question is, How scarce do jobs have to be? The answer is, Just scarce enough so that laborers are not likely to get uppish, make unexpected demands, and get away with them. Just scarce enough, in other words, so that wages are definitely under the control of the employing class, at least so far as any abrupt fluctuations are concerned. And under what circumstances can the laboring class be depended upon to sit tight, lick the hand that feeds them, and make no unexpected demands? The answer is, When they are all strictly up against it, with just barely enough wages to make ends meets—almost, and distress staring them in the face if they should lose their jobs. And this condition can obtain only when there is a reserve army of unemployed sufficient to keep those who do have jobs in abject fear of losing them.

All of which fits in very nicely with what Ricardo had to say: that whatever the standard of living, down to that the wage scale tends to gravitate. Except that Ricardo did not make it quite clear how the requisite competition among laborers is maintained. Following Malthus, he blamed the stork entirely. But the stork requires reciprocal cooperation. Whatever labor supply the stork may furnish, the profits system must furnish jobs just less than enough to go around. And that the profits system is bound to do

—automatically! Until the leopard changes its spots and the Ethiopian his skin.

Before taking up the main problem of a reserve labor supply, I should like to call attention to two minor points raised by Mr. Finney. As to the slump in the demand for labor between 1918 and 1919, it is not even suggested that this was the result of a normal increase in the number and quality of enterprisers, technicians, and capitalists. It was rather the result of an excessively inflated war demand for goods (which I have elsewhere[1] shown to have been unnecessary) and the subsequent deflation of that demand. That being the case, it has no bearing on the question of the necessity of a permanent oversupply of labor. Again, while a rise of real wages as a result of an increase in the number and quality of enterprisers, technicians, and capitalists would eliminate *marginal profits* where they formerly existed, as Mr. Finney suggests, it is obviously fallacious to slide from this to the statement that it would eliminate *profits,* as he does in the italicized portion of the second paragraph of the above quotation. Existing *marginal* profits may be eliminated without eliminating all profits. There is merely a change in the establishments that are on the margin; the old ones having been pushed below the margin and hence out of existence, a new group now occupies the marginal positions. Any increase in cost, from whatever source, unless compensated by increased productivity or price, tends to eliminate marginal profits and marginal enterprisers, but does

[1] *Principles of National Economy* (Boston, Ginn and Company, 1921), chap. xlix.

not necessarily destroy the whole business by eliminating all profits and all enterprisers. Intramarginal profits and intramarginal enterprisers may remain. New items of cost are continually confronting every business and continually weeding out the weaker establishments, but they seldom destroy a whole business—never, in fact, except when the new item of cost is so great as to be prohibitive.

If we are permitted to assume as the new factor in the problem an increase both in the number and in the quality of enterprisers, technicians, and capitalists with no increase in the number of wage workers, it does not follow that a rise of wages would result in any net addition to the cost of production except to the inferior employers who were holdovers from the previous condition. The increasing number and superior quality of their new competitors would force each establishment to pay more for its labor and materials, or to sell its product at a lower price. If any of them could not meet this new situation, it would, of course, go to the wall; but, instead of killing the business, this would merely transfer the business from the hands of the inferior enterprisers of the old condition to the hands of the new and superior enterprisers, technicians, and capitalists who have entered the business. Because of their superior quality, these would be able to pay the higher wages of labor, the higher prices for materials, or to sell at lower prices.

If there were an improvement in the quality of enterprisers, technicians, and capitalist investors with no increase in their numbers, it is, of course, conceivable that they might absorb the results of the superior produc-

tivity of industry in the form of higher profits, salaries, and interest rates, all of which might be classified under the general name "rent of personal ability." But it is a part of our assumption that the number of such men increases while their quality improves. This increase of their number would create an intensity of competition among them which would compel the industries to pay as high wages for labor and as high prices for raw materials, or to sell the products at as low prices, as their superior productivity could afford. In short, profits, interest, and the higher salaries would tend to decrease, certainly not to increase, leaving the chief benefit of the increased productivity of industry to go to the wage workers, the producers of raw materials, or to the consumers, who, of course, include the wage workers and the producers of raw materials.

Any industrial or non-agricultural country that combines a large supply of manual workers with a dearth of capable enterprisers, technicians, and capitalist investors invariably and inevitably shows low wages and unemployment for the manual workers and for the few capable members of the other groups, easy profits, large salaries, and high interest rates. The situation is comparable in principle to that which arises in an agricultural country where there are large numbers of workers and a scarcity of fertile land. This situation invariably means low labor incomes for workers, but relatively high rent for land. Conversely, an industrial country which develops large numbers of highly capable enterprisers, technicians, and capitalist investors and which manages to limit its supply

of manual laborers invariably shows high wages and relatively low profits, salaries, and interest rates. This situation is comparable in principle to that which arises in an agricultural country where there is an abundance of fertile land and a scarcity of high-grade labor, where rent is relatively low and wages relatively high. Such are the historical facts. The table presented in Chapter I (page 61) is a significant illustration of this tendency in agriculture.

The theory of the case is not difficult to state. The same principle holds with respect to the mechanical industries. A country with numerous enterprisers, technicians, and capitalist investors, all of high quality and all active, will expand its industries. The expansion of industries will call for more and more manual workers. Other countries with fewer and weaker enterprisers, technicians, and capitalist investors will then shift their burden of unemployment upon the fortunate country by exporting their surplus manual workers to it, unless it restricts immigration. Even though immigration be restricted, unless emigration be also restricted, the favored country will export enterprisers, technicians, and capital (to a certain extent also investors of capital) to less favored countries. Thus Germany, before the war, was exporting enterprisers, technicians, and capital, but no manual laborers, to the countries to the south and east, and importing certain kinds of low-grade labor, but no enterprisers, technicians, or capitalists from those same countries. Under stable conditions we in the United States also export enterprisers, technicians, and capital, but no manual labor-

ers, to Mexico, and it is notorious that we are importing hundreds of thousands of Mexican peons, but no enterprisers, technicians, or capitalists from that country.

The exportation of enterprisers, technicians, and capital to such countries as Russia, the Balkans, or Mexico is a good thing for the laborers of those countries but a bad thing for those who formerly enjoyed there a partial monopoly of talent or of invested capital. The importation of cheap labor from those countries to a capitalistic country is a good thing for those in noncompeting groups, especially for enterprisers, technicians, and capitalists, but a bad thing for the manual workers of the countries to which the immigrants come. Laborers themselves (as distinct from those who pose as spokesmen for labor) correctly sense the situation. In the absence of restrictions, indoor laborers invariably move away from countries in which there is little enterprise, technical training, and capital toward countries where these things are abundant, just as outdoor laborers move from countries where good land is scarce to countries where it is abundant relatively to labor. There are sound theoretical and practical reasons why they should behave in this way.

High general wages in industry are nowadays invariably associated with ample equipment in the form of power-driven machinery, giving a large product per man, without which high wages would be impossible. The proposition will scarcely be disputed that in the industrial field a large product per man is as dependent upon ample equipment in the way of power and power-driven machinery as in agriculture it is upon an abundance of land.

The only question would be as to what factors are necessary to secure ample equipment in these forms of capital goods. The comparative figures presented on page 61 well illustrate this point.

Ample equipment requires at least three things; first, plenty of capital to invest in it; second, technicians to invent and install it; third, enterprisers to effect a working organization and bring labor and equipment into working harmony. Let any of these three things be absent, and the result is impossible. Let them all be present and active, and the result is inevitable.

One man under highly efficient management may run sixty looms, turning out a large product per man, even though the product per loom may be relatively small. But to equip every weaver with sixty looms requires not only a large amount of capital, but also capable technicians and enterprisers. When the problems are worked out satisfactorily, a textile factory that can combine sixty looms with one man can pay higher wages than can be paid by a factory that can combine only four looms with one weaver.

The activity of inventors and organizers in this direction increases the demand for capital relatively to the demand for labor, and if capital does not increase in quantity to meet that demand, it would merely increase interest rates until the rising overhead cost in the form of interest would check the tendency to substitute capital (or machinery) for labor. But if thrift campaigns and other movements for the increase of capital are successful, so that capital increases more rapidly than these new oppor-

tunities for its investment, interest (*i.e.*, net or pure interest) may disappear in spite of the increase in the demand for capital. In fact, no one could afford to combine sixty looms with one weaver except where interest rates were relatively low and wages high.

This brings us to one of the most difficult and at the same time one of the most important of all economic principles, and the reader is requested to exercise his patience as well as his reasoning power in studying it. It may be called the principle of reciprocity among the factors of production, or the reciprocal influence of one factor upon another. To those who have never grasped this idea it seems a contradiction to say that two or more factors mutually determine one another. It is really no more of a contradiction than to say that the three legs of a tripod mutually support one another. To say that without the third the other two would fall does not mean that the third is capable of standing alone. We find this principle everywhere, in economics as well as in physics or engineering.

The relationship on the market between different factors of production is that of reciprocity, each one helping the market for the other. An abundant supply of capital seeking investment helps the market for inventions in which the new capital can be invested. A scarcity of investible capital makes a poor market for the products of the inventor. An abundance of both capital and inventions furnishes a good market for the work of the enterpriser, and so on. This principle runs through all our economic life. Its most conspicuous and distressing form

is the relation between an abundant supply of cheap labor and the prosperity of all other classes. A more hopeful but less conspicuous form is the relation between an abundant supply of everything besides manual labor, including not only capital, but also inventors, enterprisers, and professional and artistic talent, and the prosperity of the manual workers.

So general has been the oversupply of manual labor that many minds, especially among the employing classes, have come to regard it as normal and inevitable. Those who find it convenient to run business by the "hire and fire" method, who, when they need extra help cannot imagine themselves doing anything more than hanging out a shingle saying "men wanted," are likely to say that they could not run their business in any other way. Even if that were true, it would not follow that a smarter manager might not do so. The only question is, can we get smarter managers? Certain householders who have always been accustomed to trains of hereditary household servants cannot imagine how a household could be run without them; nevertheless, more capable household managers might do so. Again, can we get more capable household managers?

Educational policies may aim at different objects. Within limits it is possible to accomplish any purpose for which an educational system is intelligently planned. One possible object is to solve the labor problem, first, by giving employment to all who want it, second, by raising all wages to a level that will permit comfort, culture, and accumulation of enough capital to provide for emergencies

and old age. Most other so-called solutions are attempts to keep laborers contented with their condition. I shall try to show that one way to bring about universal employment at high wages is to change the ratio between the kinds of labor that are not universally employed and the other factors of production. This brings us to the main thesis.

A good approach to the problem of wages in indoor industry is to begin with agriculture. It is an observed fact that the ratio between the number of workers on the one hand and the quantity of land and equipment on the other has a great deal to do with the distribution of the agricultural income. This observed fact rests upon another, namely, that in the growing of given crops the product per worker increases, up to a certain limit, as he is given more land and equipment on and with which to work. Conversely, the product per acre of land increases as more workers and equipment are applied to its cultivation. The statement of this general reciprocal influence has been refined in the form of the law of diminishing returns, which need not be restated here. It follows from these observed facts that if you wish to increase the product of each farm worker, one way to do it is to give him more land on which to work, or better equipment with which to work, or a combination of both. If the farmer is enabled to increase the quantity of land and equipment per worker, not by bidding a higher price for them but by reason of the fact that land and equipment have increased in abundance and are forced onto the market at low prices, then the increase in the land and equipment per worker does

not involve any necessary increase in the total rent and interest charges. Since there is a larger product without any increase in rent and interest, the increase will go either as profits to the farmer or as wages to farm labor. Where the farmer does his own work, it makes little difference to him whether his increased income is called profits or wages. In case the farmers hire their laborers, if farmers are numerous and laborers scarce and hard to find, it is certain that the increased income will go as wages rather than as profits.

In indoor industries the same principle holds except that land is a minor factor and may be neglected. Equipment, however, is of even more importance here than in agriculture. It is an observed fact that a large product per worker is secured by ample equipment in the form of power and power-driven machinery. In this case, if equipment increases as an independent variable and not in response to higher prices offered, that is, if through increased saving capital piles up, if, through increased activity on the part of increased numbers of inventors, engines and machinery increase in quantity and improve in quality, and if, through increased activity by increased numbers of superior enterprisers, all this equipment is brought into the market while manual workers are decreasing in numbers through restriction of immigration and a decline in the birth rate among working people, then the equipment must force itself onto the market for what it will bring, and the increased product per man will go mainly as wages. The scarcity of labor will insure that.

Again, the question may be asked, Will not the lower interest rates, the lower profits and salaries, decrease saving, inventiveness, and enterprise? They will rather operate as a check upon the further increase of saving, inventiveness, and enterprise. One result of thrift campaigns is to induce people to save increasing quantities of capital at decreasing rates of interest, but this tendency is self-limiting. It results in a new equilibrium in which there is a permanent increase of saving at permanently lower rates of interest. One result of increasing numbers of technical schools of higher and higher quality is to increase the number and quality of inventors and technicians. The falling salaries will eventually check that tendency to increase and result in a new equilibrium in which there will be a permanent increase in the number and quality of technicians at permanently lower salaries. Similarly, increasing numbers of business schools, of higher and higher qualities, at lower tuition rates, will result in more and better enterprisers. Falling profits will check this tendency but will result in a permanently larger number of enterprisers of better quality at permanently lower profits.

In the same way, the restriction of immigration and a rise in the standard of living which reduces the birth rate will reduce the number of manual laborers, thus making it more difficult for enterprisers to find help and forcing them to pay higher wages. These higher wages tend to check the tendency; that is, a point is reached where even the superior enterprisers cannot advance wages any further, but this results in a new equilibrium in which wages

are permanently higher. The same thing brings about a more steady employment. When enterprises tend to multiply until they cannot multiply any further because of the scarcity of manual workers, obviously manual workers find it easier to get jobs, to choose when they will work and when they will not, and involuntary unemployment is eliminated.

This shifting of the equilibrium point is the thing that needs to be understood if one is to grasp the significance of what is going on in the economic world. The principle involved is illustrated in Figure 4.

Let us assume that the quantity of a given commodity, say labor, is measured along the line *OX*, while both its cost of production and its price are measured along the line *OY*. Let us assume also that its cost curve at one time is represented by the curve *AB* while its demand curve is represented by the curve *CB*. That being the case, the equilibrium price is represented by the horizontal line *DB*.

By the equilibrium price is meant the price at which the market clears itself, that is, the price which will induce producers to continue, under the same conditions, to bring to the market exactly as much as it will induce buyers to take off the market. If, for any unforeseen reason, buyers want more at the existing price than producers are willing to bring at the existing price, the price tends to go up until the equilibrium is again approximated. If, for some unforeseen reason, producers bring to the market more than buyers are willing to take at the existing price, the price tends to fall until the equilibrium is again ap-

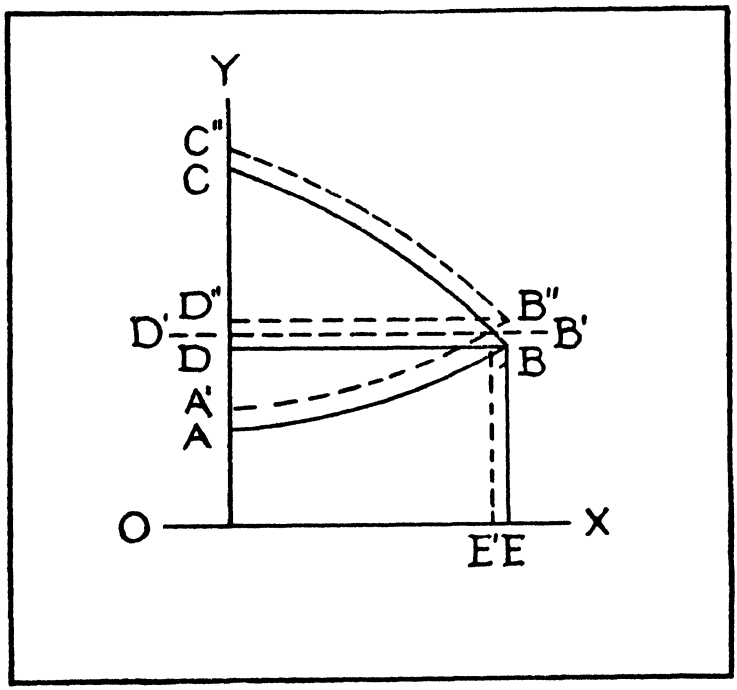


Figure 4: Graphical representation of the establishment of equilibrium prices.

proximated. Thus, the normal price may be said to be the equilibrium price, or the price about which market prices tend to fluctuate.

Now, in the above diagram, with the above assumptions, let us suppose that there has been a change in the cost of production. In the case of labor, immigration being eliminated, the cost is what men and women think they must have before they will marry and undertake the support of a family. If their standards on that subject

are high, that is, if they will not marry until they can afford life insurance, a savings account, and a Ford car, this makes an expensive family, and no children will be legitimately born except in families that can afford these things. Eventually this will thin out laborers. But this thinning out of laborers will raise wages and make it possible to afford these things. Will this rise in wages so increase the marriage and the birth rate as to force wages down again to the old level? It will not, because to do so would be to deprive families of these requisites for marriage, and they would stop multiplying before that point would be reached.

The rise in the standard of living operates as an increase in cost. This increase in cost may be pictured in our diagram by raising the curve *AB* to the dotted curve *A'B'*. This would tend to reduce the supply of labor from *OE* to *OE'*. This reduced supply of labor would tend to raise wages until the new equilibrium wages would be represented by the dotted line *D'B'* instead of by the solid line *DB*.

This line *D'B'* now represents the new equilibrium wage, as the line *DB* represented the old equilibrium wage. It represents the price at which, with the new standard of living, the producers of labor are willing to put on the labor market exactly as much labor as the buyers of labor are willing to take off the market.

If we assume not only an increase in the cost of producing a commodity but also an increase in the demand for it, we get a still more violent shifting upward of the equilibrium price. Let the curve *C"B"* represent the increase

in demand. In that case the new equilibrium price becomes $D''B''$ instead of $D'B'$. The wages of labor may now be quite sufficient to induce laborers with a markedly higher standard of living to marry as early and multiply as rapidly as did those with a lower standard of living and lower wages.

The same general principle of the shifting of the equilibrium price works in the opposite direction if we assume an opposite change in one of the factors. This may be shown in Figure 5.

Let us suppose in this case that the amount of saving is measured along the line OX, the cost of saving and the demand for capital along the line OY, that the solid curve AB represents the cost of saving and the solid curve CB the demand for capital. In this case, the equilibrium rate of interest is represented by the solid line DB. Now suppose that a change comes in the habits of the people, or in their relative appreciation of present and future, so that saving becomes much less irksome than it used to be. This change could be represented in the diagram by dropping the solid curve AB to the dotted curve $A'B'$. This would tend to increase the amount of saving, but this increase would tend to lower the rate of interest. This lowering of the rate of interest would, of course, tend to check the tendency to further saving, but it would not completely neutralize the tendency and restore the old rate. It would shift the equilibrium rate to a lower level; that is, the equilibrium rate of interest would fall from the solid line DB to the dotted line $D'B'$. This lower price would now be sufficient to induce as much saving as the demand

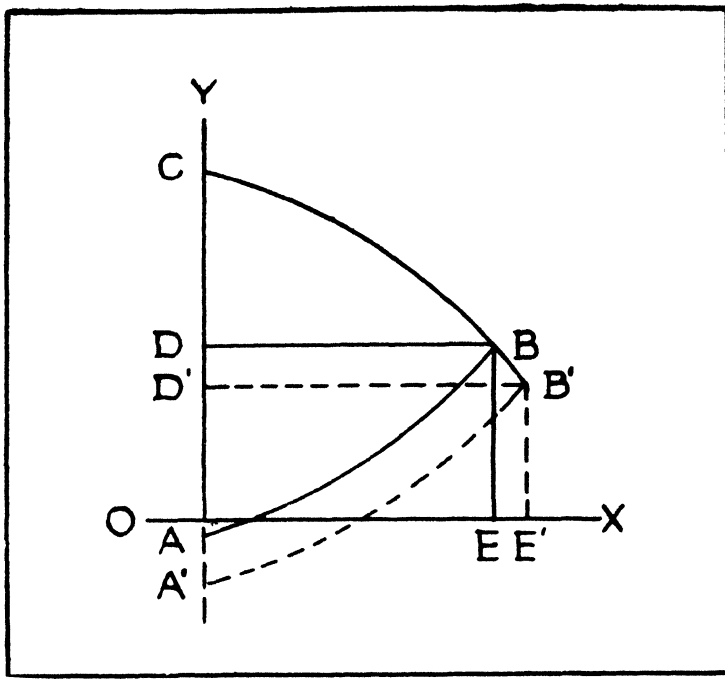


Figure 5: Graphical representation of the shifting of the equilibrium price.

for capital would take off the market at that price.

All this leads to the conclusion that a permanent change in the distribution of our national income can be effected by changing some of the original factors in the problem. Cultivation of habits of thrift can permanently lower the rates of interest; encouragement of more and more men to become enterprisers and technicians can permanently lower profits and the higher salaries. Raising the standard of living of laborers can permanently raise their wages, and if all these things can be done at the same

time, a general shift in the direction of equality among all occupations can be brought about.

One and only one condition can permanently interfere with the tendency toward an equilibrium of the labor market and leave a surplus of labor seeking employment. That is a trade-union policy or some form of government interference that will force wages above the equilibrium point. This may be illustrated by the diagram in Figure 6.

Let us suppose, as in the preceding diagrams, that *AB* represents the supply curve (or the cost curve) of a given

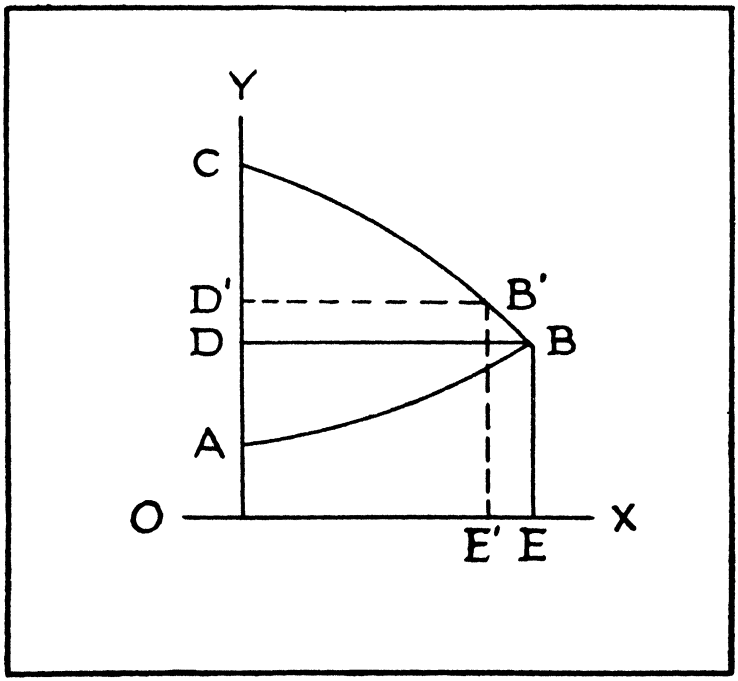


Figure 6: Graphical representation of interference with the equilibrium of the labor market.

class of labor, that *CB* represents the demand curve for it, and that *DB* represents the equilibrium wage, that is, the wage at which the available supply of that kind of labor would all be employed. If an artificially high wage were established by law or by union policy represented by the dotted line *D'B'*, then, the demand remaining the same, the number employed at the new wage would be represented by the distance *OE'* instead of by the distance *OE*. The latter being the actual number seeking employment, the number represented by the distance *E'E* would fail to find employment.

Far from being a necessary condition of the present economic system, this so-called labor reserve is the product of interference with the system. If let alone, the profits systems would tend to eliminate this labor reserve by lowering wages until the entire available supply would be employed. It may be a wise policy to establish a wage above the equilibrium wage, that is, it may be better to pay high wages to those who can find employment and leave the rest unemployed, but it cannot be said that this is essential to the profits system. It would be essential, rather, to some policy of interference with the system. Whether it be wise thus to interfere is another question.

Another point should be mentioned that does not vitiate our argument, but that may confuse the non-theoretical mind. Not all workers want continual employment. High school and college boys and girls frequently want employment during the summer months, farm workers want indoor work during the winter months, women with families want employment at times when family

cares do not interfere and do not want it at other times. This kind of labor exists independently of the profits system, would, in fact, exist under any system. It therefore furnishes, at times, a small labor reserve which the existing system may make use of but which is not essential to the existence of the system.

Another point of much greater theoretical and practical importance is that the presence of an industrial reserve army is more a cause than a result of these unevennesses of business sometimes called the business cycle, and the elimination of the industrial reserve army would go a long way toward ironing out these unevennesses.

It is coming to be realized that something is needed to act as a drag or a brake upon the overexpansion of business in boom times. If business is permitted, with no hindrance or retarding factor, to expand as rapidly as it wants to, it will overdevelop at one time, and this overdevelopment will be followed by a period of excessive stagnation.

The only effective check that works automatically is an increase in the cost of production. If, when orders are coming in rapidly, every manufacturer can increase his production without having to pay a higher price for any of the things he needs, raw materials, labor, loans, and so forth, there is no effective drag. That is, if he can hire increased numbers of workers at the same wages, buy increased quantities of raw materials at the same prices, borrow increased sums of working capital at the same rates of interest, there is no drag on the expansion of his business. But if a boom, anticipated or potential, finds

him unable to get more labor without offering higher wages for it, to buy increasing supplies of raw materials without bidding higher prices to get it, or to borrow more working capital without paying higher rates of interest, these things act as a drag and prevent excessive booms. Again, if a depression should begin, if all these wages, prices, and interest rates tend to fall, this would stimulate the profit makers to increased activity and thus smooth out the depression.

In the past we have had to rely mainly upon variations in the rate of interest to act as a repressant in boom times and a stimulant in times of depression. Lately, the Federal Reserve Board has acted in a rather positive manner to increase the efficiency of the depressant and the stimulant. But the principal item of cost is not interest on loans but the wages of labor. So long as there is a large labor reserve, there need be no increase in wage cost in boom times and decrease in times of depression to act as a depressant and a stimulant. But if there were no reserve labor army, then when every employer wanted to expand his business to take advantage of an active market, he could not get indefinite supplies of new labor by merely hanging out a shingle saying "men wanted." In fact, he could not get extra help at all in a real boom. All employers would be wanting extra help at the same time and they would merely bid against one another for the help that was already employed. This would put a more effective drag on a business boom than a mere rise in the interest rate could possibly do.

Of course, so long as there are considerable numbers of

workers who, as pointed out above, do not want work all the time, that preference of theirs will create a small labor reserve, so that there is never likely to be a complete absence of labor reserve. But this reserve is created by the preferences of the workers themselves and not by the necessities of the profits system. In fact, this system would be better off without it. Again, so long as a labor reserve is artificially created by forcing actual wages above the equilibrium level, it will always be possible to hire and fire, to employ increasing numbers without increasing wage rates in times of business activity and decreasing numbers without lowering wages in times of business depression. However, this condition is created by artificial restraint and not by the necessities of the so-called profits system. In fact, the profits system tends to eliminate it and would work much better if it could be eliminated.

Other and more striking changes even than steadiness of employment and the increase in wages can also be brought about. The independence of the laborer results automatically from these changes. Where there is a surplus of laborers or a dearth of jobs, of course the laborer is very dependent. He will think twice before quitting a job already held. But when any kind of labor becomes scarce and hard to find, it is the employer and not the laborer who is dependent. The housekeeper who knows that her cook has several other positions open and that she herself might not be able to find another cook is the dependent person, and the cook is the independent one. The Kansas farmer whose wheat is ripe for the har-

vest and who cannot find harvest hands to help him harvest it is another dependent person, while the farm hand is the independent one. This condition is not the result of some occult or mysterious power that goes with cooking or wheat harvesting; it is the result of the relative scarcity of cooks and harvest hands, or the relative abundance of housekeepers who want cooks and farmers who want help.

It may be argued, however, that where there is such an acute scarcity as the above illustrations imply, there is as yet no true equilibrium wage, or that the actual wages are not high enough to establish a true equilibrium under which there would be exactly as many seeking the wages as there were those willing to pay them. The illustrations were chosen deliberately for the purpose of bringing out the fact that, in a dynamic situation created by a progressive increase in the number and the quality of enterprisers, technicians, and capitalist investors, while the supply of manual workers does not keep pace with the increasing demand, wages not only tend to rise, but there is a lag in the rise of wages.[1] That is, wages are always approaching the equilibrium point, but the point itself moves upward, so that before the equilibrium is established, it is again disturbed. In this progressive condition we invariably find not only rising wages but also a growing independence of labor.

Show me any situation where laborers of any kind, manual or mental, are scarce and hard to find—that is,

[1] To accelerate the rise of wages and reduce the extent of the lag is, of course, a legitimate purpose of labor organization activity.

where employers want more laborers than are to be had —and I can show you a place where laborers are independent. Show me a situation anywhere where any kind of labor (cooks and farmhands as well as other kinds) is abundant and easy to find and where jobs are hard to find —that is, where laborers want more jobs than are to be had—and I can show you a place where that class of laborers (even including cooks and farm hands) is dependent. In the days of free immigration to this country, many classes of laborers were in that position of dependence. At the present time, few of them are. If present tendencies continue, there will be fewer and fewer in that position of dependence.

However, even though wages should reach a condition of stable equilibrium at a high level, that is, even though there should be permanently just as many laborers seeking jobs at high wages as there would be jobs seeking laborers at those wages, it can be shown that the independence of laborers would be much greater than where the equilibrium wage is a low one. Wages are only one of the inducements to take jobs. Work which interferes with a particularly agreeable diversion is less attractive, other things equal, than work which permits that diversion. The former requires a higher wage than the latter in order to bring about an equilibrium between the numbers of laborers seeking jobs and the number of jobs seeking laborers.

In general, independence, or the ability to choose among a considerable number of goods or activities, is considered desirable. Men who can afford this desirable

condition are likely to be willing to sacrifice a little money in order to enjoy it. They who have plenty of money in their pockets are more likely to sacrifice the chance of making more money in order to enjoy this feeling of independence than are those who have no money and who have needy families. The latter will sacrifice independence for cash, while the former will frequently sacrifice cash for independence.

In general, the basic necessaries of life must take precedence over luxuries and comforts, even the comfort of feeling independent in one's field of choice. When laborers generally are barely able to afford the basic necessaries of life, they are likely to sacrifice the comfortable feeling of independence by accepting jobs that are confining, that offer few opportunities for diversion, or that put them under the domination of an overbearing boss. But when laborers are generally well paid, have money in their pockets, and are able to supply their families not only with the basic necessaries of life but with numerous comforts and luxuries besides, then the comfort or luxury of feeling independent comes into their field of choice. An overbearing boss will then have a harder time filling his shop than the boss who treats his men as comrades in a common enterprise. The job that involves a loss of independence will have to pay a much higher wage to bring about an equilibrium than the job that leaves a good degree of independence.

But will not the multiplication of numbers again reduce laborers to the necessity of competing so strenuously for jobs as to destroy their independence? No; the standard

of living will take care of the laborer's independence exactly as it takes care of his wages. If the standard of living is low, laborers will marry and multiply even if it involves both a lowering of wages and a loss of independence. But where the standard of living is high, they will not marry until they are both well paid and independent. A high standard of living means a low rate of multiplication unless general economic conditions are extraordinarily good. A low rate of multiplication among manual workers means a scarcity of that kind of labor and the maintenance of good economic conditions among them. Among these good economic conditions we must include whatever laborers wholesomely crave. If they crave independence, that, as well as high wages, is assured by a high standard of living which will retard multiplication until independence is secured.

If present tendencies continue—and they will if our scholars are astute enough to point the way and our statesmen wise enough to follow their teaching—there is no reason why labor should not eventually become a fixed charge upon industry, and capital a contingent expense. Already certain high salaries are fixed charges. Key men must be retained and their salaries paid regardless of the state of business. More and more kinds of labor are entering this class. During the last winter a certain manufacturer of soft drinks kept his force of truckdriver-salesmen intact, paying the men wages all winter when many days they did nothing but play checkers. The reason was not benevolence nor a Christian spirit. It was that these men would be so hard to replace in the spring that the

employer did not dare fire them for the winter. If there had been a large reserve of competent men, it would have been cheaper to fire in the fall and hire in the spring. There being no such reserve, it was cheaper to pay these men wages even when there was no work for them than to let them go. The next thing, of course, is for the employer to find something for these men to do during the winter months.

This is a condition that will spread to all classes of labor as labor becomes more and more scarce relatively to the demand for it. Any kind of labor may become a fixed charge when it is scarce enough and hard enough to find. At the same time, if capital becomes more and more abundant it will eventually cease to be a fixed charge or an overhead cost in the strict sense. It will become unnecessary to guarantee interest to the capitalist, and he will be forced to take his chance upon a contingent income, receiving dividends or profits when there is anything to divide, and none when there is nothing to divide after paying wages and other fixed charges. If the disposition to save becomes strong enough, men will accumulate all the capital that is needed and invest it on the chance of dividends. This making of the wage bill into a fixed charge and the capital account into a contingent charge is not contrary to but in strict accord with the profits systems. It *is* the profits system carried to its "logical results," though to produce these logical results will require more intelligent steering and rational encouragement. It will not require hostile legislation, but intelligent education, the encouragement of thrift, the occu-

pational redistribution of our population by which manual workers are thinned out and more and more high intelligence is concentrated in the entrepreneurial, managerial, technical, and capitalistic occupations.

Here we find the answer to the question, Will not the increase of saving and investing, if carried far enough, result in general overproduction? Strictly speaking, *general* overproduction is a logical impossibility, as has been shown many times. What is really meant is, Will it not throw things out of balance by providing more capital than is needed to produce all the consumers' goods that men will buy? If men generally cut down their purchases of consumers' goods in order that they may invest more and more in producers' goods, may there not be more producers' goods than are needed to supply the diminished market for consumers' goods? That *unbalanced* state of industry which some have mistakenly called general overproduction is a real possibility.

But the first symptom of an approach to that unbalanced condition is the disappearance of pure, or net, interest.[1]

When all industries are equipped with all the capital that they need to supply the demands of consumers, or, in others words, when they have all the equipment that the inventors have shown them how to use economically, no industry will then be willing to pay interest to get more capital. Banks, insurance companies, brokers, and pri-

[1] The disappearance of pure, or net, interest would not, of course, enable an enterprise of dubious solvency to borrow without contracting to pay interest. It would still be necessary to overcome the owner's preference for keeping his money in a safe place as compared with letting it get out of his control in a hazardous enterprise or a doubtful loan.

vate investors will be unable to place safe productive loans, and consequently will be unable to pay real interest to depositors, patrons, or anyone else. Those who are fortunate or skillful enough to pick winners in the form of enterprisers and borrowers will pay dividends; others will not. The entire income from capital would be of that sort, and, the losses tending to balance the gains, the income of the capitalist *class* would tend to disappear. In those establishments where the returns to investors are negative, that is, those whose owners do not get even their principal back, the other participants get more than the total product. Where these losses equal the gains made in other establishments there is no net income for capitalists as a class. In fact, we are much nearer that condition today than most of us are aware.

Now, when the income of the capitalist *class* disappears, it means that other classes get the entire product of industry. These include the receivers of profits, of salaries, of wages, and of rent. The profits of enterprisers as a *class* tend to cancel in so far as the losses balance the gains under the same conditions and for the same reasons as cause the disappearance of net interest. A considerable increase in the number of enterprisers watching for opportunities tends to increase the intensity of the competition among themselves and to increase the losses and decrease the gains until the cancellation is complete. This tends to concentrate the total national income into the two classes, rent, and salaries and wages. Rent I prefer not to discuss, because it is not claimed by anyone, so far as I know, that an industrial reserve army is essential to its existence.

There is still one problem, as yet unsolved, the solution of which is essential to the final elimination of the last vestige of the possibility of an industrial reserve army: that is the problem of the feeble-minded. Among the intelligent, the development of a high standard of living is a complete safeguard against an oversupply of labor; but a high standard of living is impossible among the unintelligent who are not capable of exercising forethought. With them, their habits or tastes, no matter how expensive, do not and cannot in any way affect their marriage rates and birth rates and therefore do not constitute a true standard of living.[1] With them, reproduction is a biological process, uncontrolled by rational purpose. Being a biological process as it is with plants and animals, nothing short of physical control will check their multiplication. Without physical control, the feeble-minded, given time enough, can overstock any market with low-grade, unskilled labor. Consequently, we must manage to control them if we ever hope to prevent permanently the development of a mass of poverty.

But, let it be remembered, this reproductive propensity of the feeble-minded is not the result of the profits system. It would exist under communism or any other system, and the same necessity for control would exist under any system. But if it is not controlled, and if we continue to breed morons, the profit takers and many others will manage to make productive use of them. Again, profit takers are not different from the rest of us. Housewives will hire morons to do housework, farmers will hire them to

[1] See the author's *Principles of National Economy* (Boston, 1921), p. 500.

do farm work, artists and others to relieve themselves of hack work, with even more avidity than enterprisers will hire them to work in factories.

To conclude. If we can maintain the democratic tradition that business is just as respectable as any other calling, if we can continue to show a generous appreciation of those who succeed in building up great business enterprises, if our higher institutions of learning can continue to train men for business as well as for the professions to which the word "learned" was formerly restricted, if all our schools can continue to move men upward in the scale of occupations, if we can continue to restrict the immigration of low-wage labor, adding Mexican labor to the kind that is to be restricted, if we can continue to maintain responsible parenthood among the intelligent classes, and if we can manage in some way to limit the multiplication of the mentally weak, we can not only eliminate the industrial reserve army, but can diffuse prosperity more and more evenly among all classes, and we can put all laborers in a position of independence quite equal to that of the employing classes.

XI

THE INVENTOR AND THE INVESTOR[1]

THERE are not many economic problems that can be discussed intelligently without considering complementary factors or agents of production. These are commonly likened to the two blades of a pair of scissors, or the upper and nether millstones, either one being useless without the other. Amateurs are frequently puzzled by this mutual interdependence. Sometimes they fall into the error of attributing the entire product to one factor alone, because, forsooth, without it there would be no product at all. Labor, for example, is said to produce all wealth because without it not anything could be produced. That is like saying that the upper blade of the scissors does all the cutting, or the upper millstone all the grinding, because no cutting or grinding could be done without it.

Among the more sophisticated, another error, almost equally fatal, is made. It is easily seen that one factor is quite as important as the other, but since both are absolutely necessary, it is claimed that it is useless to discuss their relative importance. That is, of course, true enough, but it does not exhaust the subject. Suppose one blade of

[1] This chapter was published as an article by T. N. Carver in *Capital and Surplus*, American Institute of Banking, Detroit Chapter, December, 1926, and is reproduced by permission.

the scissors was short, dull, or otherwise defective while the other was good enough. There would not be much gain in still further improving the good blade while leaving the defective one unrepaired. While one blade, considered in itself, might be just as important as the other, it is much more important, nevertheless, that the defective blade should be repaired than that the good one should be improved. The maximum economy of effort requires that effort be expended where it is most needed.

Or, if we choose a somewhat more realistic illustration, crust is just as necessary as filling in the making of pie, but if the crust is too thick for the filling, or the filling too thin for the crust, it is more important that the pie-maker should use more filling than that she should use more crust. Again, if, in the entire pie belt there is an abundance of material for the making of crust and a scarcity of material for the making of filling, it is more important, from the standpoint of human happiness, that men should get busy producing more filling than that they should get busy producing more crust. One way to induce them to produce more filling and less crust is to pay them more for their work in one case than in the other. A thousand other illustrations of the same principle could be given if they were necessary.

It is the thesis of this chapter that the inventor and the investor fit together like the two blades of the scissors, the upper and the nether millstone, or the crust and the filling of pie. Without the inventor there would not be many opportunities for investment, and without the investor there would not be much of a market for inventors.

To show how dependent the investors are upon the inventors, let us consider for a moment what rich men, if there were any, could do with their wealth, or what forms their wealth could take on, if there had been no mechanical inventions. Some light may be thrown on the question by considering what rich men did with their wealth or what form it took before the days of mechanical inventions, or what they do now in countries where mechanical inventions do not play a large part in industry.

What, for example, does an Oriental prince do with his wealth, or what forms of material wealth can he own? Of course, a modern accountant might capitalize the tyrant's power to extort tribute from his subjects and call that capitalized sum his wealth; but that sum would not be embodied in any list of material objects. If he consumed all his income in riotous living, there would be no list of durable material objects that could be listed under the name of wealth. If he does not consume his whole income in the form of ephemeral satisfactions, what durable forms of material wealth are available? Lands, palaces, hoards of precious metals or jewels, and rich fabrics practically exhaust the category. The private citizen of a community in which there were no mechanical inventions and therefore no expensive manufacturing plants, not having the power to collect tribute, would be limited to those few forms of wealth. Even if he were a merchant he could not be very rich, that is, he could not own objects of great value except stocks of valuable merchandise such as gold, silver, jewels, and rich fabrics.

In western countries, before the age of mechanical in-

ventions, the same conditions held. Land was the most important form of durable wealth, and the wealthy classes were, in the main, landowners. Next came ships and merchandise, but ships are mechanical inventions of a special kind, and the only kinds of merchandise that embodied great riches were, here as in Oriental countries, objects of great value in small bulk.

Since the age of mechanical invention, however, capital has come to play a vastly larger part in the economic life of western peoples, and our richest men are no longer landowners or merchants, but capitalists in a newer sense. Capital now consists mainly in mechanical instruments of production—factories of all kinds, railroads, steamships —and capitalists are mainly owners of such things. The joint stock system of ownership makes it easy for vast numbers to become owners of such things; in short, to become capitalists.

To show on the other side of the question the dependence of the inventor upon the investor, we need only to consider what an inventor would do with his invention unless he or someone else was able to pay the cost of making it and to wait for it to repay that cost through its superior productivity. If he is able to do that himself, he is his own capitalist-investor. If he is not, he must find someone else who is. If neither he nor anyone else is able or willing to pay the initial cost and wait for a return, his invention will be useless, both to himself and to the world. Any movement, whether it be a thrift campaign, a program for the safeguarding of small investors against the machinations of large shareholders or boards

of directors, or a blue sky law, which encourages men and women to save and invest their money, automatically expands the market for productive inventions. Conversely, any movement for the discouragement of thrift and investment automatically contracts that market.

If I were a great capitalist and possessed no moral scruples whatsoever, being solely desirous of increasing my power or of clinching my grip upon the industrial system, I would deliberately start a comprehensive campaign for the discouragement of thrift and the encouragement of hand-to-mouth extravagance. I would found Institutes of Extravagance to teach the virtues of lavish consumption and installment buying, I would subsidize the publication of books on the Fallacy of Thrift, I would buy controlling interests in both popular and highbrow magazines and encourage the editorial policy of publishing articles on the Dilemma of Saving, all to the end that the number of my potential competitors, the investors, should decrease. If I should be successful in my campaign, I would have an easy time of it. Every inventor would then have to come to me to get me to finance his invention, and I could then dictate terms, whereas, if there were thousands of other capitalists looking for opportunities to invest their capital, I could not. If I should be successful in my campaign, every promoter of a new industry requiring capital would have to come to me. I could then not only control him, but I alone should have the power to say what industries should start and what should not, whereas if I had thousands of competitors my power would be shorn. If I should be successful, in short,

everyone who needed capital for any purpose would become my subject, whereas, if there were thousands of other capitalists, I would have no more power than the common laborer when labor is scarce.

Were it not for the serious consequences which might follow, this form of propaganda should be taken about as seriously as propaganda against the safety razor by a barber, against electric washing machines by a laundry man, or against improved sanitation by a low-grade physician. A capitalist who opposed thrift should be classified with those enemies of American labor who oppose the restriction of immigration or the control of the birth rate among the poor. The latter campaign is not so very dangerous because most people see through it. It is easy to see that unrestricted immigration or a high birth rate among wage workers would flood our labor market, reduce wages, and put our wage workers generally at a disadvantage and their employers at an advantage. Many people do not yet see the equally patent fact that diminution of thrift would produce the same results, that it would change the ratio between labor and capital, not by increasing the number of laborers but by decreasing the amount of capital. Consequently, the promoters of extravagance and a diminution of capital are more dangerous, because more plausible, than the promoters of an oversupply of labor.

Even a laborer can be a dictator whenever he is the only one who can do a certain necessary kind of work. The only thing that keeps him from being a dictator is the fact that he has too many competitors. The capitalist's power is diminished by the same fact wherever it exists.

Wherever capital and capitalists are scarce relatively to the need for them, their power is great. Wherever they are abundant relatively to the need for them, their power is gone.

"The obvious is always overlooked until it is presented as the unusual." Men and women have labored to show how capitalism is being remade by a new religious spirit that is entering the hearts of capitalists. Perhaps there is something in that idea, but it is not where most of these writers think it is. A puritanic religion which discourages luxury and riotous living makes it easy to save and accumulate capital. In a country where Puritanism, Quakerism, or Methodism is influential, men do not gain prestige by lavish expenditure or conspicuous waste. As they accumulate wealth, there is not much encouragement to turn to a life of ease and luxury. This means more and more accumulation of capital.

This accumulation, in turn, makes it harder and harder for the capitalist to invest his capital. This forces him to do several things that make for progress. First, he must encourage the invention of new mechanical contrivances for saving labor. That is, he must be on the lookout for promising inventions. This furnishes a good market for the real inventor who has anything genuine to offer. It is no accident, therefore, that inventions increase as capital increases, and *vice versa.*

Second, in order to find avenues for the investment of capital, interest rates must fall, unless the mechanical inventors more than keep pace with the accumulators. It is possible, of course, that interest rates may rise while

the supply of capital is increasing, but that can be only where inventors are presenting so many new opportunities for the investment of capital that even the increasing supply of capital cannot keep up, or when inventors in such numbers are looking for capitalists to finance their inventions as to create a demand for more capital than is being supplied. But, if capital accumulates rapidly enough to more than meet that demand, interest rates must fall.

Third, when capital is expanding and inventions increasing, industry grows in magnitude and efficiency, and human wants and desires are more and more abundantly supplied. If the expansion of industry is universal and well balanced, there is no such thing as general overproduction until interest on capital disappears altogether. The first symptom of that hypothetical state of general overproduction is the disappearance of interest. When there is more capital seeking productive investments than can find opportunities with the existing demand for commodities, this sheer oversupply of capital and the competition among the owners of capital for some return, or to avoid complete unemployment for their capital with no return at all, will reduce net interest to the vanishing point. Such interest as one would then have to pay would not be true interest but only enough to overcome the fear of loss —that is, risk.

Fourth, unless laborers should increase more rapidly than the demand for them, wages would automatically rise, not directly because of a Christian spirit on the part of employers, but because the labor market would be so improved as to raise the price of labor. Indirectly, if

a Christian spirit discouraged luxury and ease, this would encourage accumulation and this, in turn, would so improve the labor market as to raise the price of labor. Non-Christians, pagans, atheists, and Gradgrinds would all alike have to pay the high wages.

The surest way to raise wages, equalize wealth, emancipate the laborer from the necessity of taking the first job that offered (or of holding on to a present job for fear of not getting another) by giving him several good jobs to choose from and by making him quite as free as a capitalist, is to encourage the accumulation of capital by increasing numbers of capitalists on the one hand, and on the other to thin out the ranks of laborers that are now poorly paid, by providing educational opportunities that will enable the rising generation to avoid all poorly paid occupations and find their way into those that are well paid. With capital and enterprise enough, all may be well paid, and about equally well paid except where exceptional ability or exceptional stupidity would justify some difference.

XII

THE LAST FIFTY YEARS IN THE UNITED STATES[1]

A GOOD working definition of civilization is the art of living together comfortably in large numbers. Numbers can be counted, but what constitutes a comfortable living is largely a matter of opinion. Opinions on this subject fall into three main groups: first, that living comfortably means having an abundance of material goods; second, that it consists in having abundant leisure; third, that it consists in having many children. Where the first of these three opinions prevails, people take their progress in the form of more and more goods; where the second prevails, they take it in the form of more and more leisure, where the third prevails, they take it in the form of larger and larger families. We in the United States take ours mainly in the form of goods; the Central American peon takes his in the form of leisure; the people of China and India take theirs in the form of numbers. Which is the superior type of civilization could be argued for a long time and with many words.

We are accustomed in this country, at least since 1876, to measure our progress mainly in terms of material wealth, though we are also somewhat proud of our num-

[1] A part of this chapter was published as an article by T. N. Carver in the *World's Work* for July, 1926, and is reprinted by permission.

bers. Leisure is not highly esteemed. Before the Centennial Exposition, our chief sources of pride and the chief themes for patriotic oratory were our vast area, our political system with its absence of kings and aristocrats, our free schools, and the fact that we, more than any other country, had removed all handicaps upon individual achievement. As a result of this unshackling of the human spirit, every person has been encouraged to make the most of himself, and this has resulted in unparalleled progress in the production and enjoyment of material goods. We are now beginning to take pride in these goods rather than the ideals that made them possible, in the things that have been added unto us rather than in the things we really sought.

And many things have been added unto us.

The total wealth of the United States, estimated on a gold basis, from 1870 to 1922, is as follows:

Year	Total Amount	Amount per Capita
1870	$ 24,055,000,000	$ 624
1880	43,642,000,000	870
1890	65,037,000,000	1,036
1900	88,517,000,000	1,165
1904	107,104,000,000	1,318
1912	186,300,000,000	1,950
1922	320,804,000,000	2,918

Some allowance must be made, however, for the cheapening of gold or the decline in the purchasing power of the dollar. Estimates vary as to just how much cheaper gold was in 1922 than in 1870, but 50% is a reasonable estimate. Estimated on this basis, the national wealth

increased more than six times from 1870 to 1922, and the per capita wealth two and one-third times.

The Bankers Trust Company estimates the per capita wealth in 1923 of Great Britain to have been $1,489, of France, $1,484, of Germany, $901. Not only do we seem to be the richest country in the world, but our per capita wealth is appreciably higher than that of our nearest rivals.

These vast accumulations of goods are at least an index of our mastery over material forces, of our ability to harness them to our purposes and make them do our bidding. If fault is found, it must be with the nature of our desires, or with the things which we choose to produce with our industrial system. When we change our desires, whether in the direction of preferring leisure to goods, or of preferring different kinds of goods, our highly efficient industrial system will enable us to satisfy the new desires quite as well as it now enables us to satisfy our present desires. If we were willing to live today as our people lived in 1876, that is, with the same material comforts, we could doubtless get along with four hours' work a day. This would give us a great deal of leisure. But should we like it as well as we now like an abundance of goods and no great amount of leisure? Probably not. We need not feel depressed, as John Stuart Mill did, with the thought that our mechanical improvements have not shortened the hours of labor, so long as the people generally are getting what they seem to want.

The population increased from 1876 to 1925 according to the following table:

1876	45,137,000	1900	76,129,408
1880	50,155,783	1910	92,267,080
1890	62,947,714	1920	106,418,175
		1925	113,493,720

In considering the population question, some account must be taken of immigration. Down to the very outbreak of the World War immigration was increasing, as shown by the following table:

Years	Total Immigrants
1871-1880	2,812,191
1881-1890	5,246,613
1891-1900	3,687,564
1901-1910	8,795,386
1911-1920	5,735,811
1920-1924	2,774,600

Most of the increase during the decade from 1911 to 1920 came before 1915. In 1913 there were 1,197,892 immigrants admitted to this country; in 1914 there were 1,218,480, that being the largest number ever received in one year. This shows very clearly that immigration did not fall off but continued to increase after the exhaustion of the free public lands. The high wages paid in large industrial centers proved even more attractive than the free public lands had ever been, if we may judge by the numbers that came.

A more encouraging factor in our increase of numbers, indicating as it does a growing mastery over the dread enemy, disease, is the decline in the death rate. In 1880, in those areas where records were kept, the death rate was 19.8 per 1000. Since that date the rate has steadily

fallen until in 1924 it was 11.9. The figures by decades are as follows:

1880.....19.8	1910.....15.0
1890.....19.6	1920.....13.1
1900.....17.6	1924.....11.9

Even more important than the total population is the quality of our population. The best index of this is the effort that is being made to improve the quality of public education. The figures on page 366 show, roughly, the increasing efforts that we are making in this direction.

These increasing expenditures for public education are a part of our endeavor to realize the great ideal of equal opportunity for all. There is no monopoly so dangerous as a monopoly of knowledge, and nothing so effectually destroys that monopoly as the diffusion of knowledge. The greatest stimulus that can be given to the human spirit is to serve notice upon it that its achievements are to be limited solely by its own native power, supplemented by its own efforts, that neither birth nor family prestige will count for much, and that humble birth and lack of prestige are no handicap to the person of ability and industry. This has made the typical American a model of energy. Our public school system has provided him with a free chance to train whatever native ability he possessed. Our people have responded to these stimuli and have thrown themselves into their life work with an enthusiasm that cannot be matched anyhere else.

Our people are commonly regarded as somewhat extravagant in the spending of money, but they are ex-

Improvement in the Quality of Public Education

	1870	1880	1890	1900	1910	1920	1922
Pupils enrolled in public schools	6,871,522	9,867,505	12,722,581	15,503,110	17,813,852	21,578,316	23,239,227
Percentage enrolled of population 5-17 years of age, inclusive	57.	65 50	68.61	71.98	73 49	77 8	81 2
Total number of teachers	200,515	286,593	363,922	423,062	523,210	679,533	722,976
Total salaries, teachers, supervisors and principals	$37,794,734	$55,885,635	$91,708,344	$137,495,150	$253,756,850	$ 590,119,516	$ 860,952,724
Average per teacher	189	195	252	325	485	871	1,166
Total expenditure for education	63,396,666	78,094,687	140,506,715	214,964,618	426,250,434	1,036,151,209	1,580,671,296
Expenditures per capita of population 5-17 inclusive	5.26	5.16	7.63	9.98	17 51	37 37	55 22

tremely penurious in the matter of time. We are always trying to save time, even if we have to spend money in doing it; witness the vast scale on which we have introduced labor- and time-saving devices, not only in our factories but also in our households. More than half of all the telephones in the world are in the United States. Electric household devices of all kinds are increasing rapidly; the manufacture of such things is one of the growing industries.

We are sometimes accused of being dollar-chasers by the very people who accuse us of being extravagant in spending money. But in no country do men give money on such a lavish scale to educational, charitable, and public enterprises as here. We have 167 colleges and universities each with an endowment of one million dollars or more. During the decade 1910 to 1920, the value of college and university buildings rose in round numbers from 211 millions to 425 millions, the value of dormitories from 17 millions to 69 millions, and the amount of productive funds from 259 millions to 556 millions.

Correlated with this increase of material equipment and productive funds is an increase, over many years, of the number of instructors and students in our colleges. In 1890 the teaching staffs numbered 7,918; in 1900, 18,220; in 1910, 24,667; in 1920, 42,882. In 1890 the students numbered 156,449; in 1900, 197,163; in 1910, 274,084; in 1920, 521,754.

These abundant opportunities for higher education are also a part of our general policy of a free chance for all. Our whole educational system, from the primary grades

to the graduate and professional schools, tends to move men upward in the economic scale. This automatically thins out the lower occupations where wages in the past have been chronically low, and this, in turn, tends to make wages in those occupations higher than they have ever been before.

As a consequence of our democratic ideal of free opportunity for all and special favors for none, as expressed in our educational system, this has always been a good country for the worker. This is shown objectively by the vast scale on which workers from other parts of the world sought this country. In the earlier years, to be sure, they came largely because of the lure of free land. In a special sense, therefore, we may attribute their coming to our rich natural resources, especially our vast areas of agricultural land. It must be observed, however, that rich natural resources may be used in such ways as to concentrate rather than to diffuse prosperity. It would have been easy, for example, to sell the public land in large tracts or give it in large grants to a few wealthy landowners. Rural America would then have consisted of a limited number of vast estates, owned by one class and worked by another. In a few of the earlier American colonies this system developed, but it could not endure long under the democratic principles on which the War of Independence was fought and the new government constituted.

As observed above, immigrants came in even larger numbers after the free public lands were exhausted. They have been attracted by the ample opportunities for em-

ployment at wages that were definitely higher than in other countries, and this abundance of employment at relatively good wages was the result of our industrial expansion. There was a distinct upward bend in the curve of immigration statistics in the year 1880, four years after the Centennial Exposition.

All students agree that the Centennial Exposition is a landmark in our industrial history. It, for the first time, gave millions of Americans, from all parts of the country, an idea of our industrial possibilities. Besides, it not only educated the people, but it stimulated their desire for new articles of all kinds. It turned the attention of statesmen, voters, and politicians toward the industrial problems of the future rather than toward the constitutional and political problems of the past. The presidential campaign of 1876 was the last that was definitely waged on the old political issues growing out of slavery and the Civil War. The next few campaigns were waged primarily on economic questions, such as the tariff problem, monetary and banking reform, conservation, and the control of "trusts." The campaigns may not have decided anything very important, but they were at least an indication of the subjects on which the people were thinking, and that is a matter of the very greatest importance.

Of course, no one who understands the question would have expected any considerable rise in wages during the period of free immigration. The expansion of the demand for labor was a good thing for labor in general, but the advantage went mostly to the newly arrived immigrants and not to the laborers who were already here.

The newly arrived immigrants were enabled to get higher wages than they had ever had before, and they were put on the road to prosperity. The native-born laborers found their progress somewhat retarded by the new competitors, and in their progress upward they had to keep step with the immigrant laborers. Since the restriction of immigration there has been a positive advance in wages. The advance between 1914 and 1924 has been variously estimated at from 28% to 40%. Most of this advance has come since 1918. The *International Labour Review* published in January, 1926, an index of real wages—that is, the purchasing power of the money wages in terms of food—in a number of cities selected from different countries. Each city is taken as a sample of the whole country in which it is located, Philadelphia being the American city that was chosen. On October 1, 1925, the relative wages ran as follows, the wages of London on July 1, 1924, being taken as 100 per cent.

City	Wages
Philadelphia	176
Ottawa	158
Sydney	133
Copenhagen	109
London	94
Stockholm	82
Amsterdam	81
Berlin	65

The wide diffusion of our prosperity is evidenced further by the scale on which our people are buying what a previous generation would have called luxuries, and also by the scale on which they are saving and investing their

money. The striking thing about the sale of articles of luxury is not the high prices at which a few are sold, but the vast numbers that are sold at moderate prices. The striking thing about our vast accumulation of capital is not the large sums invested by a few, but the vast numbers that are investing small sums.

Even such concentration of wealth as we still have is coming more and more to be, indirectly at least, or temporarily, a by-product of the wide diffusion of purchasing power. It is less and less a result of monopolizing the necessaries of life, and more and more a result of hitting the popular taste in what would formerly have been called luxuries, but to which our people have become so accustomed as to make them seem almost necessaries. Our most conspicuous fortunes are being made by supplying the masses with luxuries which they want and are able to pay for, and by selling them at moderate prices with small profits per unit. Even where prices are high, they are becoming more and more a reflection of the high wages of labor, and less and less a reflection of the high profits per unit of product.

These new and growing fortunes would repay prolonged study. They are made by taking at the flood those "tides in the affairs of men" which, in technical jargon, are described as new and growing demands. These demands, in turn, may mean either new desires or new purchasing power. An increasing national dividend means, of course, new purchasing power for someone. If it meant the increasing riches of the rich and the increasing poverty of the many, as some have affirmed, then the new

purchasing power would be in the hands of the rich, and the new fortunes would be made by catering to them. If, on the other hand, a larger national dividend means higher wages and salaries, or larger incomes for masses of people, then the new and increasing demand will be where this new spending money is found. Fortune will await him who can tap these new reservoirs of spending money by producing and selling what the masses will buy. All our new and conspicuous fortunes are built up in this way, and not by catering to the rich.

In the automobile industry, to take a single example which may serve as a sample of the whole, we do not manufacture the most expensive cars. Those who desire the height of luxury must import their cars from other countries. In those countries, as in this, manufacturers attempt to supply the demand, or to sell to those who have the power and the willingness to buy. There is this difference, however; in this country the power to buy is in the pockets of the masses; in those countries it is in the pockets of the few who are very rich. Our most successful manufacturers supply cars at moderate prices for millions of users. In 1926, there were 22,101,393 motor vehicles registered in the United States, or, roughly, one motor car for every 6 persons. Thus the entire population, by crowding a little, could be loaded on motor cars at the same time and motor out of the country, if there were any place to go. The number of passenger cars manufactured during the year 1926 was 3,765,059. Of these, 1,942,770, or 51.6%, were priced at $675 or less; 320,030, or 8.5%, at $676 to $875; 929,969, or 24.7%,

at $876 to $1,375; 402,861, or 10.7%, at $1,376 to $2,275; 169,427, or only 4.5%, at $2,276 and over.

In other lines of activity as well, it is found that the largest reservoirs of purchasing power are found in the pockets of the masses, who, in the aggregate, have more money to spend, even for luxuries, than the very rich. They who can tap these vast reservoirs of purchasing power, whether in the field of manufacturing, publishing, writing, acting, or lecturing, are the ones who make the most money. Catering to the rich in any field is relatively unremunerative. The vast scale on which cheap cameras and camera supplies, radio sets and materials, as well as books on radio topics, and phonographs and records are sold, the stupendous growth of the moving picture business, and the huge incomes of favorite movie actors and actresses, professional baseball and football players, popular novelists, dramatists, and magazine and newspaper writers, and even of chewing gum manufacturers, all of whom please the many rather than the few, testify to the fact that the road to fortune in this country is to supply luxuries to the masses.

From the point of view of an older generation, and possibly also from that of the present generation in other countries, our people must seem to be indulging in an orgy of extravagance. It would look so to anyone who saw only the scale on which cheap luxuries sell and the huge fortunes that come to the manufacturers and sellers of them. There are other facts, however, which, when considered alone, would seem to imply that our people are thrifty even to the point of penuriousness. I refer to the

rate at which they are accumulating and investing capital, not in a few large sums, but in a great multitude of small sums. In fact, the scale on which our people are saving and investing their capital—millions of them in small sums—is even more surprising than the scale on which they are buying luxuries.

These two facts seem so contradictory that the uninformed may be excused for an attitude of skepticism. The probable explanation is as follows. First, all classes and conditions of people find themselves in possession of more spending money than they formerly had. Second, they are using their surplus spending money in different ways. The thriftless are spending it on luxuries, the thrifty on investments. Thus there is an enlarged sale of luxuries to the thriftless and an enlarged sale of securities to the thrifty. There is nothing contradictory in the situation. What it signifies for the future is another question.

If we take the statistics relating to the old-fashioned forms of thrift, such as the shares of building and loan associations, saving deposits, and insurance policies, and add to them such facts as we can gather regarding some newer forms of investment by laboring people, such as their investments in corporation securities and the striking new phenomenon of the labor bank, we shall gain some impression of the extent to which the masses are saving and investing.

We may properly begin with building and loan associations because they seem to have originated in Philadelphia. In 1876 there were 450 such associations in that

city alone. The number has since increased to something like 2,000. The statistics of their growth throughout the entire country are not available before 1893, at which date the first nation-wide survey of building and loan associations was made. Their growth since then is illustrated by the chart on the following page.[1]

As for deposits in savings banks, their increase is shown in the following table:

Year	Amount
1876	$ 941,350,255
1880	819,106,973
1890	1,550,023,956
1900	2,389,719,954
1910	4,070,486,247
1920	6,536,596,000
1924	8,539,855,000
1925	9,065,181,000

Besides deposits in savings banks there are savings deposits in other banks. Adding these figures to those in savings banks we get the total savings deposits for the years 1914, 1924, and 1926. They are as follows:

Year	Total Savings Deposits	Per Capita Deposit	Total Number of Depositors
1914	$ 8,728,536,000	$ 89	11,385,734
1924	20,873,562,000	186	38,867,994
1926	24,696,192,000	211	46,762,240

This great increase in the number of depositors indicates a wide diffusion of savings. Of course, not all these depositors are wage workers. I do not know of any com-

[1] See H. F. Clark and F. A. Chase, *Elements of the Modern Building and Loan Associations* (New York, The Macmillan Company, 1925), p. 463.

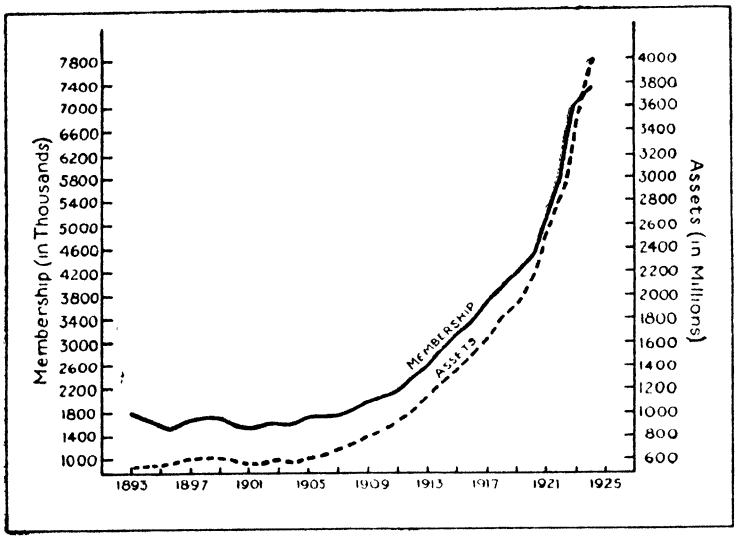


Figure 7: Growth in membership and assets of building and loan associations in the United States, 1893-1925.

prehensive investigation which shows the occupations of all savings depositors. The Women's Educational and Industrial Union of Boston has made some investigations regarding women depositors in a group of savings banks in Greater Boston. Of the first 2,000 depositors among women gainfully employed, the largest group, or over 31%, were engaged in domestic and personal service classified as cooks, domestics, housekeepers, waitresses, and others. The next largest group, or 30%, were engaged in clerical occupations. The next (15%) were those engaged in professional service, and the next (14%) were those engaged in manufacturing and mechanical industries.

The annual statement published January 1, 1926, by the Philadelphia Saving Fund Society shows the occupations of the depositors who opened accounts with the society during 1925. Of the 22,000 male depositors, 10,000 (in round numbers) were classified as wage earners, 2,000 as salaried employees, 8,000 as minors, that is, young persons under 21 for whom no occupation was given, and the rest scattering. Of the 25,000 female depositors, 1,000 were wage earners, 8,000 were wives of wage earners, 1,500 were wives of salaried employees, and 8,000 were minors. In other words, this shows that a large percentage of the total depositors were wage earners or wives of wage earners. If we leave out those classified as minors, five-sevenths of the male depositors were wage earners and more than half of the females were either wage earners or the wives of wage earners.

Great as are the increases in the number of depositors and total deposits, there is nothing phenomenal about them. The shrinkage of the purchasing power of the dollar and the normal increase in wealth and population account for a part of this increase in deposits. The thrift campaign also accounts for a part. However, making all proper allowances, there has been a substantial increase.

It must be remembered that savings deposits are not supposed to represent the total savings of any except the smallest savers. When any one savings account grows large, it is likely to be withdrawn and invested in something else, either a home or some investment that yields a little more than savings banks pay. Savings deposits, therefore, would hardly be expected to keep up with the

general prosperity of the whole people. I mention them and their actual increase to prepare for a question which may arise later. When I speak of the increase in investments in the shares of corporations the question may arise, "Have not these investments been made at the expense of savings accounts?" The foregoing shows that savings accounts have not been depleted but have actually grown in a very substantial manner.

A still more striking increase shows itself in the matter of life insurance. During the 45 years from 1880 to 1924, inclusive, the total number of ordinary policies increased from 686,000 to 22,082,377. The amount of these ordinary policies had increased from $1,581,842,000 to $49,241,424,055, but the number of industrial policies had increased from 237,000 to 68,247,642, while the amount of these industrial policies had increased from $20,533,000 to $11,343,740,085. Adding the ordinary policies and the industrial policies, we find that the total number of policies increased during this 45-year period from 923,000 to 90,330,019, and the amount of these policies increased from $1,602,375,000 to $50,585,164,140.

It is, of course, impossible to say how many of the ordinary life insurance policies are held by wage workers. The number of industrial policies held by them is known to be considerable; in fact, they make up the bulk of this class of policies.

Neither the number of policies nor the face value of these policies represents the savings of the people during any given period of time. The premiums actually paid in during a given year represent this kind of savings for

that year. On this basis we find that during the last five years there have been paid into insurance companies something like $8,000,000,000. Adding this sum to the total savings deposits in 1924 and the total assets of building and loan associations, we get the enormous sum of $33,000,000,000. As stated above, there are no accurate figures to show what proportion of this enormous sum has been saved by wage workers. We know that considerable quantities are saved, and since the numbers of savers of various kinds has increased so amazingly it means a wider and wider diffusion of this kind of prosperity. I do not know where we could find so many millions of depositors and holders of life insurance policies without including a great many wage workers.

A further evidence of the wide diffusion of prosperity is the vast increase in the number of shareholders in our great industrial corporations. In 1890 there were 81,000 stockholders of 33 leading railroads; by 1923 the number of stockholders of these same railroads had risen to 602,000. The Western Union Telegraph Company had 1,382 stockholders in 1875. In 1923 the number had increased to 26,276. In 1900 the American Telephone and Telegraph Company had 7,535 shareholders; in 1924 it had 343,000. If we take all the corporations of the country we find that in 1900 there were 4,400,000 stockholders; in 1922 there were 14,400,000. An interesting study has been made by Robert S. Binkerd[1] of the sources of the increase in stockholders from 1918 to 1925. The following

[1] See *Proceedings of the Academy of Political Science*, Vol. 11, No. 3 (April, 1925), p. 34.

table shows the increase in the number of employee and customer owners as a phenomenon of the last few years.

SOURCE OF INCREASE IN STOCKHOLDERS, 1925 OVER 1918

Industries	From Employees	From Customers	From General Public
Railroads	70,262	45,003	203,216
Express and Pullman	.....	2,996	7,827
Total rail and allied services	70,262	47,999	211,043
Street railways	15,000	.....	260,000
Gas, electric light and power companies	75,000	815,955	470,324
Telephone and telegraph	62,649	.....	201,922
Packers	7,000	.....	28,000
Ten oil companies	21,153	800	115,724
Five iron and steel companies	87,696	.....	4,530
Ten high-grade miscellaneous manufacturing and distributing companies	.....	.....	19,337
Total	338,760	864,754	1,310,880

Another striking evidence of the wide diffusion of prosperity is the growth of labor banks. A leaflet published by the research department of the Amalgamated Clothing Workers of America gives the financial condition of these banks as of December 31, 1925. The 36 banks show a capital stock of more than $9,000,000, surplus of nearly $3,500,000, total deposits of more than $98,000,000, and total resources of just under $115,000,000.

The first labor bank to be organized was the Mount Vernon Savings Bank of Washington, D.C., opened May 15, 1920, by the Machinists. The second oldest is the Brotherhood of Locomotive Engineers Cooperative Na-

tional Bank of Cleveland, Ohio, organized November 1, 1920. It is the largest of all, having a capital stock of $1,000,000. It has accumulated a surplus of more than $295,000. It has deposits of more than $26,000,000 and resources of more than $28,500,000. The third oldest is the United Bank and Trust Company of Tucson, Arizona. The others are scattered throughout the Union from coast to coast. They are owned and operated by various labor groups, the Brotherhood of Locomotive Engineers having the largest number.

These two great tendencies, first, that toward the seemingly extravagant buying by increasing numbers of people of what would formerly have been called luxuries, and second, that toward the rapidly increasing saving and investment of capital, not in a few large sums but in a multitude of small sums, together constitute a veritable economic wonder. How did it happen?

The answer to this question is found principally in the utilization we have made of our man power, or the development of the productive possibilities of all classes of people. Not only have we trained the average worker and tended to promote him as far as possible from the overcrowded to the undercrowded occupations; we have also trained the talented and turned a great deal of high talent toward industrial careers. More than that, we have no leisure class worth mentioning. It is not an American ideal that a man should retire and indulge in elegant leisure as soon as he has accumulated a competence. Wherever this ideal prevails, the more capable the man, the earlier he will retire and the greater the portion

of his life that will be wasted. Only third-rate men will stay in business all their lives, and they only for the reason that they can never accumulate enough to enable them to retire. Where business is managed only by third-rate men, there are only third-rate industries, the product per man is low, and only low wages can be paid. First-rate men stay in business in this country, even though they might retire. That is one reason why we have first-rate industries that manage to pay first-rate wages.

Next to killing, stealing, and lying, drunkenness is the greatest factor in the waste of man power in modern civilization, especially in northern latitudes. The evidence is overwhelming that, for the country as a whole, drunkenness and other by-products of alcoholism have greatly decreased since prohibition. There are, it is true, some thickly populated areas in which prohibition has not been very well enforced. Nevertheless, it is probably more than a coincidence that the most striking evidences of the diffusion of prosperity, especially among the working classes, synchronizes with the period of national prohibition, though the restriction of immigration came about the same time. These two laws are probably the best laws ever enacted in this country in the interest of the laboring classes. However, not only is prohibition poorly enforced, but the restriction of immigration is only partial. There is no restriction of immigration from any American country. The result is that Mexico has become our greatest source of cheap labor. Mexican peons are coming to us by hundreds of thousands and very definitely threaten to lower our wage levels. If prohibi-

tion could be reasonably well enforced—that is, as well enforced as other laws, such as those against highway robbery (which is not saying much)—and if the American continent could be put on the quota basis under our immigration law, there is not much reason to doubt that wages would advance still more rapidly and savings and investments expand at a hitherto unheard-of rate.

A secondary result of our policy of developing our man power is the use we have made of power-driven machinery. Even in agriculture, more work is done by machinery and less by human muscles than in other parts of the world. Until recently, however, most of the power used on the farms was animal power. Before 1900 the horse power used on farms exceeded the horse power of all the steam engines used in manufacturing. Since that time steam engines have furnished more power than horses in this country. The quantity of power used is probably the best index we have of the quantity of power-driven machinery. The diagrams[1] on pages 384 and 385 show the increase in the output per man and the power per man in two fundamental industries, iron and copper. It will be noticed that the curves bend sharply upward in 1880, the first census year after the Centennial.

Some comparison between the United States and other countries is quite as important as the growth of power from decade to decade in this country. Professor Taussig and others, especially Mr. A. W. Flux, have collected

[1] These charts are reproduced from Louis I. Dublin, *Population Problems* (Pollak Foundation for Economic Research; Boston, Houghton Mifflin Company, 1926), pp. 115-116.

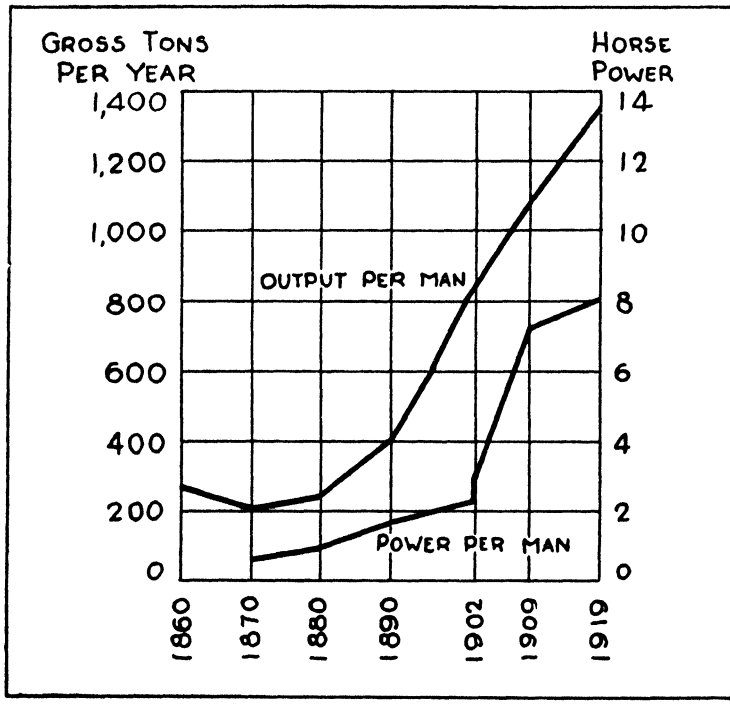


Figure 8: Yearly output per man and power per man in the iron mines of the United States, 1860-1919.

some significant evidence as to the product per worker in different countries in selected industries which permit of such a comparison. It appears that the product per worker is higher in the United States than in other countries, and this higher product per worker seems to be correlated with the larger use of power and power-driven machinery per worker. In the steel industry, for example, the total number of workers is very little greater in the United States than in Great Britain, the ratio being 7 to

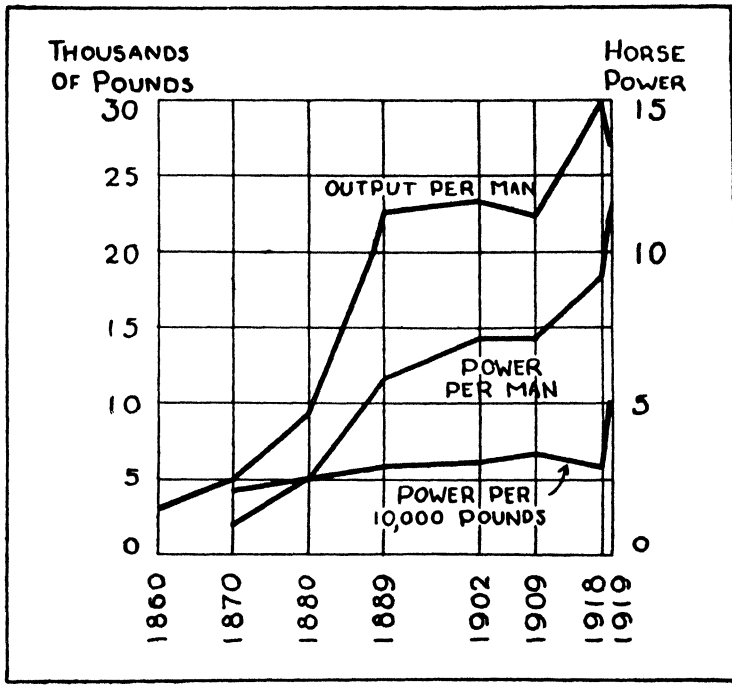


Figure 9: Yearly output per man and power per man in the copper mines of the United States, 1860-1919.

6. But the total product in tonnage is a little more than twice as large, showing that the product per worker is practically twice as great in the United States as in Great Britain. It is also worthy of remark that the American industry uses almost exactly twice as much horse power per man as the British. The table on page 386 shows the comparative product per man in the leading coal producing countries.

Gasoline is second only to coal as a source of power at

TONS OF COAL PRODUCED[1]

	1911		1914		1918	
	Per underground worker	Per worker of every kind	Per underground worker	Per worker of every kind	Per underground worker	Per worker of every kind
United States	819	681	803	673	1,134	890
Great Britain	371	300	341	275	337	265
Prussia	381	285	389	284	...	...
Belgium	244	176	200	143	207	138
France	300	216	...	...	...	...
Nova Scotia	...	555	...	536	...	460
New South Wales	...	560	...	589	...	605
India	...	127	...	128	...	126

the present time. The whole automobile industry, of course, is based partly upon this new source of power. Gasoline, however, does not create an automobile industry in those countries whose people are not mechanically gifted. Even in this case, therefore, we come back to the proposition that the development of our man power is the fundamental thing in the growth of our industries.

This is said, not for the purpose of patting ourselves on the back, but as a suggestion for our future guidance. If we rely upon our physical resources alone, they will not do much for us; but if we develop the industrial intelligence of our people, they will find ways of developing whatever resources we have. They will be able to economize their own labor by tapping other sources of power than human muscles, by harnessing our streams and the vast quantities of cheap power in our coal beds and oil fields. These latter will some time be exhausted, but the resources of the human mind are inexhaustible. If these

[1] "Labor Costs in the United States as Compared with Other Countries," *Quarterly Journal of Economics*, November, 1924.

mental resources are developed, they will find other sources of mechanical power still to be harnessed—the winds and the tides and that incalculable stream of energy that comes daily from our greatest available power plant, the sun. We shall have solar engines whenever it pays to build them, that is, when we no longer have anything cheaper, such as coal and gasoline.

Meanwhile, we must be duly mindful of the fact that we are a fortunate people. Our geographical resources are very great. We probably have more good agricultural soil than any country except Russia. Our coal beds are probably more extensive than those of any country except China. So far as is now known, no country has such rich beds of iron ore. Little is yet known as to the petroleum resources of the world. At least we can say that we have discovered richer resources of this kind than any other country, though it may be merely because we have searched a little more diligently.

Besides, we are a big country. Our very bigness has acted as a stimulus to the constructive imagination of our people. It has helped to rid our minds of the pestilential idea, inherited from the Old World and still sedulously taught by those who are wholly dependent upon that source for all they know of culture, that business is in some way sordid. The vast possibilities of our wide territories have given to business a glamor akin to that of empire building in older countries and less happy times.

We have made extensive use of power from other sources than human muscles even in agriculture. From the following table it will be seen that the production of

our three leading crops, corn, wheat, and cotton, a little more than trebled between 1870 and 1920, yet our total population did not quite treble during that time, and our rural population did not double. During the twenty years from 1900 to 1920, it increased very slightly, that is, from 45 million to 51 million. The only rational explanation is that the effectiveness of labor on farms was increased by the increasing use of power, mainly that of horses and mules, but latterly also of tractors.[1]

Year	Leading Agricultural Products			Leading Sources of Power	
	Corn (*bushels*)	Wheat (*bushels*)	Cotton (*500-lb. bales*)	Coal (*tons*)	Petroleum (*gallons*)
1870	1,094,255,000	235,884,700	4,024,527	29,496,054	220,951,000
1880	1,717,434,543	498,549,868	6,356,988	63,822,830	1,104,017,166
1890	1,489,970,000	399,262,000	8,562,089	140,866,931	1,924,550,024
1900	2,105,102,516	522,229,505	10,123,027	240,789,310	2,672,062,218
1910	2,886,260,000	635,121,000	11,608,616	447,853,909	8,801,404,416
1920	3,208,584,000	833,027,000	13,439,603	587,331,190	18,622,884,000

While our population was trebling (almost), our production of coal multiplied almost twenty times and that of petroleum more than eighty times. These are our two principal sources of power—coal for factories and railroads, and petroleum, or its derivative, gasoline, for motor vehicles.

[1] According to figures collected by the National Industrial Conference Board, 24.4 acres were being cultivated per farm worker in the United States immediately before the World War; in Scotland, 16.6; in England, 9.5; in France, 8.3; in Germany, 6.2; and in Italy, 4.2 acres. During the decade from 1910 to 1920, American farm labor increased in efficiency about 22.5%. The number of farm workers decreased about 9%, but the volume of crop production increased about 11%. The value of farm machinery in the United States increased from about $36 per worker in 1870 to $176 per worker in 1920. In other words, the average farm worker is now using about five times as much machinery as he did in 1870.

The following table shows the kinds of power used in manufacturing:

QUANTITIES AND KINDS OF POWER USED IN AMERICAN MANUFACTURES*

(*in horse power*)

Kinds	1909	1914	1919	1923
Steam engines.....	14,228,632	15,591,171	17,036,201	16,695,493
Internal combustion engines.....	751,186	988,591	1,241,829	1,230,302
Water power.....	1,822,888	1,826,413	1,765,131	1,802,805
Rented electric power	1,749,031	3,884,724	9,284,499	13,365,628

* From *Statistical Abstract of the United States* for 1921 and 1924.

The most significant thing in the above table is the rapid increase in the amount of rented electrical power. This is a part of a great movement for the manufacture of power in great central plants, driven by either steam or water power, or by a combination of both, and the distribution of that power to factories in the form of electric current. Already in 1923 the amount of rented electric power in factories is almost equal to and will probably soon exceed that of steam engines installed within the factories. No one except an electrical engineer is competent to discuss the future possibilities of super-power, but anyone can see from the above figures that considerable progress has already been made. There is no reason for supposing that it will suddenly stop. Some think that it will lead to a speedy development of our water power resources; others, that this will be postponed until coal becomes scarcer and dearer than it shows any sign of becoming in the immediate future. It is not difficult to

imagine a time in the distant future when our coal beds and petroleum fields will be exhausted, when the technique of power transmission will be so perfected that not only our streams of water but the streams of solar energy that fall on the almost cloudless deserts of the Southwest will be harnessed and the power distributed over the length and breadth of the land. At any rate, it is a safe hazard that the best insurance against a future shortage of mechanical power is the development of the latent powers of the human mind. The technique and equipment for the development of these resources are the technique and equipment of popular education.

Have we wasted these fifty years? The mastery which we have gained over the forces of nature through the development of our human resources is a sufficient answer. Having sought first the ideals of justice and a fair chance for everyone, power and goods have been added unto us. We are able to have what we want. The next thing is to refine and elevate our wants.

XIII

HOW LONG WILL THIS DIFFUSION OF PROSPERITY LAST, AND WHAT WILL IT DO TO US?

THERE may be differences of opinion as to whether this country as a whole is prosperous or not. There cannot be much doubt that wage workers are better off here than in other countries, in so far, at least, as high wages can make them well off. Nor can there be much doubt that our wage workers, taking the country as a whole, are better off than they were before the World War. The scale on which they are both spending and saving money should convince anyone of that. As a partial offset there are, of course, some who have lost because of these high wages. Farmers who cannot work their own farms but must depend on hired labor have not been able to get prices that would enable them to pay these high wages without losing money. A few lines of manufacturing have found themselves in the same condition. Besides, there is the general complaint of the high wages of domestic servants. These, however, are among the inevitable hardships of any change, however progressive it may be in its general effects.

They who formerly asserted that high wages or a general diffusion of prosperity were impossible under the

present economic system because of what they supposed was an inevitable tendency of wealth to concentrate in fewer and fewer hands, must now content themselves with saying that our present condition will not last, that as soon as certain special circumstances are removed, wages will again tend downward, interest, profits, and rent upward, and that the so-called "law of concentration of capital" will begin to produce its logical results. The "special circumstances" which are commonly evoked to explain this temporary diffusion of wealth are, first, the World War; second, our rich natural resources; third, our sparse population. "Just wait," they say, "until the war profits are dissipated, until our natural resources are used up, or until we become as densely populated as older countries, and then see what happens to wages and the prosperity of laborers."

Whatever effect profiteering might have upon total national wealth, there is no reason to suppose that it alone would produce higher wages or that it would even tend toward a wide diffusion of prosperity. It might be expected, on the contrary, to concentrate rather than to diffuse wealth. The spending of money made by war profiteering would, of course, tend to raise prices and stimulate business activity, but it could scarcely raise real wages by raising money wages more than it raised the money cost of the things laborers had to buy. Again, if profiteering accounts for our generally high wages, Holland, the Scandinavian countries, Spain, and Latin America, which never entered the war at all, ought to be even richer than we and also ought to show a stronger

tendency toward the diffusion of wealth by paying higher wages relatively than we.

As to our rich resources, we are undoubtedly blest in that respect; but not more so than many other countries, such as Brazil, Argentina, Mexico, and Russia. Yet these countries do not pay high wages. In fact, rich resources, unless the institutions of the country prevent it, are quite as likely to result in concentration as in the diffusion of wealth. To begin with, rich resources attract capital as well as labor. There was a time when foreign capital was attracted to this country as well as foreign laborers. Lately we have not been importing much capital, but foreign laborers kept coming until we had to restrict immigration to prevent our labor market from being flooded with them. The rich resources of Mexico tend to attract American capital; they do not attract any American wage labor. In fact, their wage workers tend to come here and will continue to do so until they are restricted; while our capital tends to go there and will continue to do so until the Mexican government restricts it. In short, that is a country which, either in spite of or because of its natural resources, attracts capital and exports labor, while ours exports capital and attracts labor. Institutions seem to have more to do with the diffusion of prosperity than natural resources. Institutions make this a better country than Mexico for labor. Our natural resources do not attract any Mexican capital; Mexico's natural resources attract our capital.

Another point to be remembered is that the prosperity of our wage workers has been perceptibly accelerated

since the World War, yet no new natural resources have been discovered or developed during this period. Two things seem to synchronize with this upward bend in the curve of prosperity, namely, the restriction of immigration and prohibition. This would seem to suggest that these had more to do than our natural resources with the rather sudden increase in the prosperity of our wage workers. At any rate, this noticeable change in economic conditions ought to be correlated with some fairly recent happenings and not accounted for on the ground of something that has existed from the beginning of our national life. As shown in other chapters, there are sound and logical reasons why the restriction of immigration should have been expected to raise wages and why prohibition should result in greater general prosperity.

As to our sparseness of population, we have a great advantage over some old countries, but there is no reason why that advantage may not be permanent. Of course, if we open our doors to immigration it is only a question of time when our wages will fall to the level of those of Europe, or even of Asia if free Asiatic immigration is permitted. But if American workingmen and their friends are alert and ready to vote against each and every anti-restrictionist, no matter how he covers up his anti-restriction policies with other less important issues, there is no reason why that should ever happen. They hold that matter in their own hands, and so far as immigration is concerned, they can vote themselves low wages by voting for anti-restrictionists, or high wages by voting for restrictionists.

As to the natural increase of population, that also is under control. A high standard of living, the world over, goes with a low birth rate, and a low standard with a high birth rate. If we see to it that a high standard of living is maintained, that will take care of the population problem, and we never shall be so overcrowded in this country as European, not to mention Asiatic, countries have already become. Besides, as shown in the chapter on the "Present Status of the Population Problem," it is not the total population so much as the occupational distribution of the population that counts in determining whether wealth shall be concentrated or diffused.

If, through enlightened views on education and a wise direction of our educational policies, we continue thinning out the ranks of manual workers and increasing the number of those who are capable of so managing industries as to pay high wages, that is, by training large numbers of technicians, managers, investors, and enterprisers, two things can be predicted—one with reasonable and the other with absolute certainty. The one prediction is that, with a sufficient number of highly trained men massed on the problem, we shall find ways of utilizing other resources even though those on which we now rely should be exhausted. When our coal beds and oil wells are all gone there are other potential sources of energy to draw upon. The distillation of combustibles from shale, and even solar engines are within the limits of technical possibility and probably can be made economically possible whenever the demand is sufficiently intense. Soil chemists and soil bacteriologists seem to show no lack of confidence in the

possibilities of soil conservation and soil improvement. Numerous other possibilities lie before us, and it is a reasonable prediction that, if enough intelligence is massed upon discovering them, we shall never lack for physical resources.

We can predict with absolute certainty that such prosperity as the nation as a whole achieves will be diffused and not concentrated if we look carefully after the occupational distribution of our population. If we do this, and if the total prosperity increases, every class or occupation will share in it, while if our total prosperity declines, every class and occupation will share also in that decline. There is absolutely no reason why the widely diffused prosperity which we are now witnessing should not permanently increase. The only possible reason why our total prosperity may not increase indefinitely is the possibility that at some time we may fail to mass enough high intelligence upon the economic problems of that time to meet new difficulties as fast as they arise.

The tendency toward diffusion will stop when but not until we ourselves reverse the process by doing one or more of several things. We can reverse the process by discouraging our ablest men from going into business and expanding our industries. When our industries are run by second- and third-rate men, we shall have second- and third-rate industries which cannot expand nor employ large numbers of men. We can discourage our ablest men from entering industry in several ways. We can discourage them, for example, by cultivating a general jealousy of or resentment toward those who are successful in build-

ing great enterprises or in making two jobs to grow where one grew before. We can also discourage them by changing our educational policy and aiming to produce in our universities men fitted only for graceful consumption, elegant leisure, or the more ornamental professions. We can also work for concentration rather than diffusion of wealth by discouraging thrift and decreasing the supplies of capital. We can do this by writing books on the fallacy of saving and by carrying on an active propaganda in favor of lavish expenditure on the part of all classes. We can do it also by endowing institutes to further the cause of extravagance, thus limiting the profits of accumulation and ownership to the few and keeping the masses in what some are pleased to call "their places."

The most direct and deadly thrust at labor is made by those who are working to increase the supplies of manual labor, first, by attacking our immigration law, second, by attacking our system of public education, third, by attacking prohibition, fourth, by advocating large families among the poor, thus assuring a plentiful supply not only of cannon fodder but of cheap labor as well. Many of these attacks are camouflaged under various other names. In reality, they are all aimed to make things easier for the employing classes by supplying them with increasing quantities of low-wage labor. Those who are working against our immigration laws are so obviously working for the impoverishment of our own manual workers as to make it an insult to the intelligence of the reader even to stop to discuss it.

Certain self-appointed spokesmen of labor are attack-

ing the prohibition law. When men sober up, begin to work steadily, and to save and invest a little money, they become more independent, more inclined to pick and choose their jobs. As Mrs. Cannon has ironically expressed it, "Prohibition has withdrawn from the economic field that last hope of the overburdened American housekeeper, the faithful charwoman, sole support of a drunken husband." A gentleman in Spokane once gave a unique argument against prohibition. In the old days, said he, when the lumberjack came into town after several months in the woods, with a few hundred dollars in his pockets, it took him only a short time to blow in his money. Then as soon as he sobered up, he was compelled to go back to work. Under prohibition, it took him months where it formerly took him weeks to get rid of his money, and until he did, he would not go back to work.

Every attack upon our system of public education is a movement for the increase of our supplies of low-wage labor by leaving great masses of men with no training that will fit them for anything except the low-wage occupations. Everyone who advises workingmen to beget more children than they can support and educate properly is also, whether he knows it or not, working for a large supply of cheap labor.

There are other pessimists who admit that so far as material prosperity is concerned, our working classes are well off, but they will not thus be robbed of a grievance. Admitting that prosperity is widely diffused, that wage workers as well as others, in addition to saving and investing on a large scale, are also buying comforts and

even luxuries on a scale never before known in the history of the world and not now known in any other country; admitting also that such great fortunes as are still being made are made not by monopolizing the necessaries of life but mainly by catering to the popular taste in cheap luxuries, ranging all the way from chewing gum to automobiles, including such things as low-priced cameras, popular novels and magazines, soft drinks, moving pictures, popular athletics, and so on, nevertheless they maintain that this is not real prosperity, because the cheap luxuries which people are buying do them no good, that they are merely wasting their substance in riotous living and are, in reality, no better off than wage workers in Europe or even in Asia. This brings us to the question raised by the second half of the title of this chapter. What will the diffusion of prosperity do to us? It calls for serious discussion, and should not be decided either way in a spirit of flippancy.

There is some advantage in being in a position where one can buy useless or even harmful things, even though it is agreed that it is better not to do so. A situation in which large classes cannot buy such things because they have not money enough to buy anything but necessaries is not a good economic condition. An economic condition which permits every class to buy something besides the necessaries of life admittedly has its dangers; but it also has in it possibilities for good. Certainly, it would be the poorest kind of a reason for keeping the masses in a state of poverty to say that they are likely to spend their money foolishly if they become prosperous. This merely means

that all problems will not be solved the moment potential prosperity in the form of purchasing power is diffused among all classes. Nevertheless, it does positively mean that one problem is solved, and we can then turn our attention to others that follow in its train.

The new-rich everywhere are inclined to have their fling—to buy the things that have been just beyond their reach in the days of their poverty. Wage workers as a class are exactly like every other class in this and all other respects. Instead of being a just subject of ridicule, the new-rich are always entitled to our sympathetic interest and encouragement. To begin with, new wealth, provided it is earned, is the most respectable kind of wealth. It represents the results of one's own ability and exertion. Inherited wealth is the least defensible form of legally acquired wealth, and the most useless members of society are those who live unproductively on inherited wealth. In the second place, there is pathos rather than humor (if there is a real difference) in the efforts of any creature to adjust itself to a situation for which its previous experience has not trained it. This applies not only to the fish out of water, but also to those people who were once poor but now rich, as well as to those who were once rich but now poor. A generation or two of affluence will be a means of educating the majority of laborers in sounder appreciation of real values.

The intelligentsia, however, are generally more worried over what is happening to themselves than over what manual workers will do with their new-found prosperity. Many of them are quite willing, even anxious, that all

large employers of labor should pay higher and higher wages to their laborers, but are incensed when those wages are shifted onto themselves in the form of higher prices, and they are dumfounded when household servants also demand wages comparable with those which may be earned in large industrial establishments. The readjustments that will have to be made in private life are even more profound than those that are taking place in industry. It is the machine, or rather, the inventors, investors, and enterprisers back of it, that is making possible the large production per man and the high wages in industry. It is likewise the machine that must relieve housekeepers, small shopkeepers, and farmers of the soul-killing drudgery which they formerly shifted onto cheap labor or, in a few cases, onto slaves.

It is as useless to attempt to stay the course of this revolution which is shifting drudgery onto the machine as to attempt to stay the stars in their courses. However disparagingly we may speak of our "machine-made civilization," no one can truthfully deny that it excels every other civilization in one important respect. It makes possible the emancipation of all, and not simply of the few, from the body-wrecking, brutalizing effect of overwork. The "man with the hoe" who became merely a food motor is to be displaced by the man directing a machine which is driven by a mechanical motor. If they only knew it, the machine is to do for the cultured householders of the future what cheap servants did for those of the past.

Every civilization of which we know anything has had some means by which the fortunate elements in society

could relieve themselves of soul-killing drudgery and devote themselves to the arts and graces of life. Slaves supplied the so-called need in certain cases, cheap wage labor in others. The machine is destined to supply it in the stage into which we are now entering. It has the advantage over previous stages of not requiring that large numbers of human beings shall be doomed to a life of drudgery in order that others may be relieved. In this new age, all may be relieved of drudgery and all may have a surplus of energy with which to do what they like to do instead of being compelled to do what physical necessity commands. This must be accepted as a real step in progress, even though the energy thus released should, in part, be wasted in ludicrous gambolings.

Let it be understood once for all that if we are to have a wide diffusion of prosperity among all classes, the servant-keeping class must dwindle to smaller and smaller numbers. When a household servant expects an income comparable with that of the head of the household, household servants are an impossibility. They are definitely limited to those households whose heads have incomes far in excess of those demanded by household servants. In this respect a household differs fundamentally from a productive industry. In the latter, it is quite possible that the income of the owner may really be less than that of many of his employees. The farmer's is frequently less than that of his hired man. But that would be impossible in the consuming unit known as the household. Equality of prosperity means precisely that the incomes of household servants should be comparable with those of the

heads of households. The way out is not to breed morons in order that we may have cheap help; it is to use our wits to find ways of getting along without household help of any kind.

Electric washing and drying machines, vacuum cleaners, and a number of other mechanical devices are already enabling well educated and well-to-do women to get along comfortably without the washerwoman and the charwoman who formerly had to work to support their drunken husbands. By changing from the ceremonial meal, the fashion for which was set by a leisure class which could afford numerous servants, to a simpler one-course meal, where everything is placed on the table and everyone helps himself, we shall not only save a great deal of useless labor, but be better and more wholesomely fed besides. One welcome evidence of the revolt of youth is the refusal of college students to pay the stupidly outrageous price for board which is necessary if elaborate service is provided at the present high wages of labor. They wisely prefer the lunch counter, the cafeteria, or even the "hot dog" stand, where they pay for what they want and are not compelled to pay for what they do not want in the form of elaborate service.

Even our domestic architecture is making rapid improvement in the same general direction. Houses are seldom constructed nowadays even in the fashionable sections with a view to advertising the solvency of the occupier by their size and the visible fact that it requires a great deal of work to take care of them. The old type of slum is, at the same time, disappearing. The houses

of the well-to-do are being built more and more with a view to saving steps and enabling well educated and well-to-do people to live without servants and without drudgery. They are noticeable not only for their small size, compact form, and the convenient arrangement of rooms, but for the labor-saving features that are being built into them. Even in small houses, the incinerator solves the great problem of garbage, dust, and waste paper, chutes and dumb waiters connecting different stories from attic to cellar save much stair-climbing. Breakfast nooks in kitchens foreshadow a return to the old New England kitchen where the housework and the family life were not divorced.

We have made only a beginning in the general direction of saving steps and eliminating drudgery from housework. The ceremonial home life that requires cheap household service for its very existence has had centuries, nay, thousands of years, to fasten itself upon us. We have been less than a generation without cheap help. While practical, matter-of-fact people are going directly about the work of replanning our home life, many romanticists are doing all they can to retard it. Having only a sort of racial memory to guide them, with very little constructive imagination, they cannot see how the new life can have any beauty or romance in it. Only that which has been hallowed by time and rendered romantic by being blended with old memories has value for them. However, the change continues.

It is objected that this will make us all slaves of the machine. That it will make us more and more dependent

upon machinery is true, but we shall be no more dependent upon machinery than slave owners were upon their human slaves, or than well-to-do persons have always been upon hired help. But to be dependent upon some person or some thing does not make us the slave of that person or that thing. If it did, then the slave owner was really the slave and the slave the master, or the well-to-do employer was the slave of the low-wage laborer and the low-wage laborer was the master. Such was not the case, and neither can a machine ever become our master, however much we may be dependent upon it.

Others find an objection in the fear that we are coming to be dominated by *things,* or that we are becoming too much obsessed with the value of mere things. Before we pronounce the word "things" in too scornful a tone, we shall do well to consider carefully what mere things, in the sense of mechanical contrivances, have contributed, passively, to the larger and finer life of the present.

Without mechanical contrivances, our ability to communicate with our contemporary fellow beings would be limited by the carrying power of the human voice and the running power of the human legs; and we could benefit by the thoughts and achievements of past generations only in so far as the human memory, supplemented by oral transmission, could hand them down to us. Even books and pictures are things. They carry the impression made by those who thought and worked at one time down to later times. They are therefore a means by which men who live at a later time may correlate their own thoughts and actions with the thoughts and actions of those who

thought and worked in earlier times. They vastly enlarge the possibilities of human cooperation both in space and time.

But books and pictures are not the only—it is not quite certain that they are the most important—pieces of material that carry the imprint of one generation to future generations. Every piece of durable material on which anyone has ever worked does that. It is this ability of certain pieces of matter to carry and transmit the impression of man's work that enables large numbers of people, widely separated in time and space, to communicate with one another, to coordinate their labors and to make whatever approach we have been able to make toward a common life. The long line of inventors and workers who together made a machine are coordinating their labor with that of the one who uses the machine. Without some such medium as the tool or the machine, the general collective name for which is capital, each individual either would have to work alone or, at best, could cooperate with only a very few who at the same instant happened to be together in one place.

He whose social optimism is not stirred by thinking that a large number of investors, inventors, mechanics, and common laborers, many of whom have long ago lived out their allotted time, are really helping the housekeeper of today with her housework, relieving her of the fatigue which she or her servants of a previous generation underwent, must be a misfit in this age of large ideas.

Of course, machines are not everything. A modern Martha, in the most up-to-date house, with every known

mechanical device to save work, may lack the soul of Mary; but frankly, that is not the question. The question is, given the soul of Mary, would the fact that she had the benefit of labor-saving devices destroy that soul? To say yes would not be much of a tribute to the soul of Mary. These devices merely relieve the bodies of the Marys and the Marthas of much drudgery and release energy which may be used in whatever ways their souls may desire.

It is interesting and probably significant that the things in which we, in this country, take most interest are not the kind that are to be passively enjoyed. Most of them require action, even strenuous action, on our part in order that we may get any satisfaction out of them. The whole field of sport, of which some of our critics think that we are excessively fond, is a field of strenuousness instead of passivity. The kind of wealth which Americans seem most to enjoy is not the kind that enables them passively to register pleasurable sensations, that is, it is not to be classified as consumers' goods; it is rather the kind that they must actively control and master in order to get the thrills which they enjoy. Wealth, with us, more than most other people, consists of instruments of production, and we use them productively in much the same spirit as that in which a sportsman uses the instruments of sport. From the point of view of those who are primarily interested in consumption in the narrower sense, we are, as a nation, poor consumers. We are not interested in graceful consumption and elegant leisure, much less in gourmandizing. Our millionaires are not, as a rule, fat-necked, pot-bellied and pop-eyed; they are generally lean

men who might easily be mistaken for hard working students who burn much midnight oil. They seem to suggest a diet of crackers and milk rather than of rich viands and costly wines.

They whose interests center in a titillated palate and a full belly rail at our prosperous men for not enjoying their wealth more than they do. Such minds cannot comprehend the superior satisfactions of a life of action over a life of passive enjoyment. It is fortunate for our working classes that prosperous men prefer to spend their money for new and better engines, machines, and other instruments of production rather than for consumers' goods. It is also fortunate that our successful men do not retire from business as soon as their barns are full, saying, "Soul, thou hast much goods laid up for many years; take thine ease, eat, drink, and be merry." They keep at it, for the sheer sport of it, long after they have acquired enough to enable them to retire. This results in the massing of a larger quantity of high intelligence on business problems than would be had if every man of superior ability were to retire from the field as soon as he was able to do so. The latter habit would tend to leave industry in the hands of inferior men who never could make enough to retire; this, in turn, would result in inferior industries, and this in inferior wages.

Civilization, in one of its many important aspects, is the utilization of surplus energy. The character of a civilization is largely determined by what people predominantly do with their surplus. Some, following the example of the plants and animals, as pointed out in a

previous chapter, use up their surplus in multiplication; this results in overpopulation. Some use their surplus in leisure; this results in general stagnation and torpor. Some use their surplus in luxurious consumption; this results either in gluttony and bestiality or in the arts and graces of elegant luxury. Some use their surplus in action; this results either in highly developed sports, or, if they take their sport in the form of business activity, in highly developed industry and much buying of the engines and machines of production. If the latter is carried out to its logical conclusion, it results in the piling up of all instruments of production whose collective name is capital, the disappearance of interest, and giving to the workers the entire product of industry in the form of wages, salaries, and profits.

Men of action who undertake big things sometimes require big tools. Columbus required ships for his big undertaking, and ships in that day were big and expensive tools. The artist also needs tools, but they are not usually big or expensive. Palette and brush, mallet and chisel, do not require large investments of capital. But that is no reason why those who use such things should call Columbus a mercenary person because he sought large sums of money. The thing that is done with money, not its quantity, is the thing which we should weigh and consider. Columbus wanted larger and larger fleets in order that he might carry out larger and larger operations. To one who saw no significance in those operations, but saw only that he was always asking for more and more equipment, he must have seemed mercenary and grasping.

Nor is it certain that Columbus was more benevolent or less self-interested than many a modern enterpriser. He seemed to crave the high esteem of the world and to desire to make a great name for himself and his family. He even tried to leave a great estate for that family. There is not the slightest reason to believe that his motives differed essentially from those of many another great enterpriser of that and later days. They are all worthy of vastly more respect and consideration than those whose chief interest is in what is commonly called consumption, or in the use of material things, not as tools for great achievement, but as means of gratifying one of the five senses.

But why should modern enterprises require such large and expensive tools? The ancient and the medieval world got along without them and did some things better than the modern world can do them. To say nothing of the fine arts as they are now defined, finer work was done in many other fields of endeavor than can now be done with our huge machines. More beautiful books, for example, were made by hand than any printing press can turn out. The same formula, with verbal variations, can be used in a multitude of other cases.

One thing, however, none of those hand methods could do, either then or now. They could not provide those desirable things for the masses of the people. Those beautiful products of hand work were available only for the few very rich people who could afford to pay for them. The book is a good example. The printing press, with its movable type, gave us the first great example of

mass production with interchangeable parts. It cannot produce such beautiful results as some of the illuminated manuscripts of the days of hand work, but it does place books within the reach of everyone. By similar means, shoes, clothing, glazed dishes, chairs, tables, bathtubs, canned fruits, fresh meat, wheat bread, watches, cameras, telephones, pianos, victrolas and radio sets, and a host of other things in bewildering number and variety are provided for everybody.

So much must be admitted, but the pessimist will not be robbed of his grievance. He still asks, are these things worth while? He is never, however, fair in his comparisons. He is likely to compare the state of the few who could enjoy the rare and beautiful things of the past with that of the many who can now enjoy the cheap and abundant things of the present. That is not a true comparison. He should compare the lot of the many who, in the past, could enjoy neither the rare and beautiful things of that time, nor the cheap and abundant things of today, with the many of today who at least enjoy abundance.

If one who now rhapsodizes over the glories of a medieval town were compelled to live in a medieval town, neither as the nobility and the rich burghers lived, nor as the very poorest lived, but as the common run of the people lived, he would soon be disillusioned. It is to be regretted that he cannot be subjected to that test.

The kinds of enterprise which produce an abundance of more or less desirable things and put them within the reach of masses of people all require large and expensive

tools, much larger and more expensive than Columbus required for his great enterprise. That is really all there is to this so-called capitalistic system, to distinguish it from that which preceded it. Both have been based on private ownership. The size and costliness of the tools have increased. The joint stock form of organization and the method of voluntary cooperation provide the means by which these great and costly aggregations of tools can be owned and operated under the system of contract or voluntary agreement, without resorting to the method of authority and obedience.

But will not this accumulating prosperity eventually be too much for us and break down the morale of civilization? Much has been said and written, in a vein of high moral seriousness, on the uses of adversity, the Pentecost of calamity, and the purifying furnace of affliction. It is time for us to begin thinking, in the same vein of high idealism, about the uses of prosperity. Prosperity, like adversity, is selective; it is a winnowing fan which separates the wheat from the chaff. Some are improved by adversity, but others are demoralized by it. The same is true of prosperity. In a remarkable sermon, delivered during the darkest days of the World War, Professor Jack pointed out that adversity and affliction were not in themselves good, but *when nobly borne* usually brought good in their train, whereas when ignobly borne they could bring only evil. This also might be said of prosperity. There is no reason why it, *when nobly borne,* should not bring even greater good than adversity.

Men have been more carefully schooled for adversity

than for prosperity. During the greater part of the life of man on this earth, he has had a constant fight with adversity and has acquired considerable experience to help him in his fight. He has not had time to accumulate anything like the same experience in meeting the problems of prosperity. All his moral and religious systems that have been of any use to him have provided him with disciplines against the demoralizing tendencies of poverty and adversity. Where he has lived up to these disciplines, they have fortified him, and neither poverty nor adversity could break him. Special classes have here and there escaped from adversity only to come in contact with the demoralizing influences of prosperity. There is not and never has been a religion or a moral discipline that fortified the prosperous classes against these new dangers as the old religions and moral disciplines had fortified them or their ancestors against the old dangers. Consequently, every aristocracy which the world has ever known has been a decaying aristocracy. It has either disappeared or has been nominally preserved by constant recruiting from below.

For the first time in history the masses themselves, in this country, are emerging into a condition of prosperity comparable to that of the aristocracies of any previous age. They have neither practical experience, nor a religion, nor a moral discipline that was ever designed to fortify them against these new dangers. Every religion that amounts to anything started among the poor and the afflicted. It flourished, if it did flourish, because it preserved its people in the midst of their poverty and their

afflictions. It gave them a discipline which kept them true to the basic principles of right living in spite of the hardships which they had to endure. Hardship could not break them. Every modern sect, even Christianity, has had the same origin and has flourished, if it did flourish, for the same fundamental reason.

But a new thing has happened in this country. There are no longer any poor as that word was once understood. There are none who need the old discipline because they are not facing the old danger. A new danger, for which they have no discipline, is upon them. Our civilization, or our branch of the human race, is facing a crisis. Unless it can speedily acquire the necessary experience, or unless some religious or moral discipline can be provided and made effective through great preaching, that is, preaching by men who not only see the crisis but can appeal with such passionate and overpowering eloquence as to turn the masses from the evils that always attend prosperity, the masses themselves will go the way of all prosperous classes. They will succumb to the same evils which have destroyed all aristocracies.

Many will succumb to these evils in spite of all that can be done. The hope is that a remnant can be saved from the general demoralization to serve as the seed of a new civilization. After all, this is the way of all progress. It is the method of trial and error, of variation and selection, of evolution. In the days of adversity, they who were broken by it disappeared in pauperism, vice, and criminality. Only those who were strengthened by it ever succeeded in conquering it and lifting themselves

above it. The same will be true in the coming days of prosperity. Some will run amuck, as those just out of bondage have always done, celebrating their recent escape from the backwoods, the slums, or the Ghetto by throwing off the shackles of Methodism, Quakerism, Puritanism, and Judaism and seeking new sensations in various forms of physical and spiritual self-indulgence, ranging all the way from physical gluttony to salacious novels and weird forms of art. Others, like good sports, may take their prosperity modestly and thankfully, with a feeling of *noblesse oblige,* still cultivating in themselves the fundamental virtues of industry, sobriety, thrift, and domesticity, even taking the vow of poverty in a modern and constructive sense by regarding all their wealth as tools to be used in further production rather than as means of self-indulgence. These, if they exist in sufficient numbers, will be the preservers of what is good in the old civilization and the builders of the new.

INDEX

INDEX

A

Abortion, aspect of high death rate 26, 34
Action
freedom of, under law 181
ideal of 99, 128, 407-408
Adamson Law 243
Adversity, uses of 412-413
Agreement
see Voluntary agreement
Agriculture
acreage per capita in 292-293
acreage per worker in 61
in United States, present state of 293
increase of acreage used in 293, 330
index figures of comparative productivity in 61
limitation of mechanical devices in 23
occupational congestion in 299
production and use of power in 388
ratio of labor to quantity of land in 330-331
see also Cultivation; Diminishing returns; Land
Alcoholism
see Intemperance; Prohibition; Sobriety
Amendments, Constitutional
see Constitution
American Telephone and Telegraph Company, stockholders of 379
Animal power 22
Authoritarianism
and Bolshevism 118-121
either conservative or radical 123
in England and France 112-113, 114
Authority
disposition to escape from 173, 178-179
proper exercise of 127-128, 181, 183-188
restriction of choice under 188-189
Automobile industry 372-373

B

Balance of nature, an illustration of static condition 44-45
Bargaining power
equalized by occupational redistribution 263
inverse to political power 174-175
of men politically and economically free 262
of necessitous man 261
Belgium, productivity per worker in
in agriculture 61
in coal mining 386
Bill of Rights, in United States constitutions 225, 227
Biological family 29
see also Family
Birth control 13, 34
by marriage 285
Birth rate
a physiological function 25-26
and death rate 6-7
balance of, in stationary population 25
and standard of living 287-288, 395
control of, by parental responsibility 26-27, 285

Birth rate (*continued*)
differential, a menace 308-309
graphic illustration of 310
remedy for 311
"natural" 6, 26
not controlled under promiscuity 34
Blackstone, quoted 220
Bolshevism and Authoritarianism 118-121
British Labor Party 114, 116-118
Brotherhood of Locomotive Engineers Cooperative National Bank 381
Building and loan associations 374-375, 376
Business
check on overexpansion of 340-341
predatory and productive methods in 20
prejudice against 57-59, 77, 396
Business cycle 340
Business management
see Managers; Management

C

Capital
accumulation of
and encouragement of industry 358-360
in small sums 374
and productivity, correlation between 61
as tool of service 106-108
ceasing to be a fixed charge in industry 347
control of 199, 200, 201, 217-218
effect of abundance of 347, 358
effect of increase of demand for 327-328
excess of 348
exports and imports of 393
in mechanical instruments of production 355, 407, 409
not predatory 19
ownership of 177
see also Ownership
scarcity of, a hindrance to occupational redistribution 51, 60-61
see also Wealth
Capitalism
does not develop into communism 118-119, 176
founded on intelligence and thrift 119
Capitalist class, disappearance of income of 349
Capitalist system, characterized by costliness of tools 412
Capitalists
see Enterprisers
Celibacy 314
Centennial Exposition, a landmark 369
Children
responsibility for support of 33-34
see also Parenthood
China, family system in 34
Civilization
definition of 361
expanding and pent-up types of 291-292
"machine-made," emancipates from drudgery 401
prehistoric, cause of disappearance of 65-66
the utilization of surplus energy 408-409
Coal mining
occupational congestion in 299-300
productivity per worker in, U. S. and other countries 286
Colleges and universities
attitude of, toward business 57-58, 59, 77, 397
endowments of, in United States 367
Colonization and dispossession of weaker races 8-9, 14
Columbus, a type of enterpriser 409-410

Communal property of the biologic family 30
Communism 30, 33, 34, 36, 52-53, 80, 113
  compulsory 172
  misuse of term "liberal" by 122
  not developing out of capitalism 118-119, 176
  will not eliminate competition 144
  voluntary 170, 172
Communistic societies in the United States 170, 171
  reasons for failures of 172
Competition
  an expression of human nature 142, 143-144, 170
  a "survival" factor in evolution 149
  among producers 20, 139
  and amusements 142
  and the Golden Rule 89
  economic, distinguished from brute struggle 139, 150
  free or unrestricted, a misnomer 139
  high standards of 160
  is it an evil? 86-89
  political 141
  wastes of 141
Competitive spirit
  can it be eradicated? 143-146, 149-150
  not a product of environment 146
  to be harnessed to productivity 146, 149
Competitive system, the 138-167
Conduct, standards of
  see Standards of conduct
Conflicts of interests 80-83
Congestion of population 34, 297-298
Congestion, occupational
  see Occupational congestion
Conservative and conservationist 122-123
Constitution of the United States
  amendments to
    Fifth 225, 227
    Fourteenth 227, 237, 238, 250, 258, 259, 264
    Nineteenth 252
  Bill of Rights in 225, 227
Consumption
  and production 94-95, 99-100
  inequalities in 200-201
Contract
  freedom and opportunity secured by 264
  opposition to, as a form of coercion 185, 187-188
Contract, freedom of
  see Freedom of contract
Contracts
  adequacy of consideration in 267-268, 273-274
  cancellation of, by courts 270-276
  enforcement of 184
  inequitable, not enforceable 266-267
  specific performance of 265-270
  under duress, voidable 271
  undue influence in 271-273
  with necessitous man as party 265
Control
  concentration of 199, 217-218
  inequalities in 200-201
Cooperation
  compulsory 80, 139, 140, 141, 170
  lack of interest in 142-143
  voluntary 140
    possible under present economic system 170
Copper mines, in U. S., power and output per man in 385
Copyrights and patents, utility of 84
Cost theory of value 207, 208
Crime and standards of conduct 150-151
Criminals
  partial sterilization of 311-312

Criminals (*continued*)
proper treatment of 313
Cultivation of land
diminishing returns in 12
see also Diminishing returns
intensive 295
meaning of 10-11
see also Agriculture; Land
Custom, authority of 132-133

D

Damages, suits for 276-278
Dark Ages 314-315
Death rate
decline of, in United States, 1880-1924 364-365
"natural" 6-7
natural control of birth rate by 25-26
see also Birth rate
Declaration of Independence 223-224
Degenerates, physical sterility of 311
Democracy
and liberalism in government 125-126
and volutary agreement 173
not necessarily liberalism 123-124
see also Jeffersonian Democracy
Democratic Party 113
Despotism, protection of production by 17, 18-19
De Tocqueville, quoted 190
Diminishing returns
in cultivation of land 12, 282-283
graphical illustration of 295-297
Division of labor
and occupational congestion 298
cause of lack of occupational balance 39-43
illustrations of 42-43
problems created by 39, 42
see also Specialization
Drunkenness
see Intemperance; Prohibition; Sobriety
Due process of law 225, 226, 228
essentials of 231-233
judicial interpretation of 229-233
no comprehensive definition of 228-230
rights protected by 233-235

E

Economic functions, balancing the (Extrication No. 7) 38-63
summarized 61-63
Economic law 280-281
Economic principles, universality of 37, 67, 103
Economic reform
by removal of hindrances to economic forces 41, 43, 44
not a *laissez faire* policy 51
Economic system, the present 38
an orderly system 72
in what sense individualistic 169
is it "somehow good?" 70, 108-109
lack of understanding of 39
not yet perfect 78-83, 103
perfectability of 74, 78-79, 109
question of the future of 87-88
wisdom of preserving 79, 80
Economic tendencies and historical facts 75-76, 110
Economists, personal bias of 73
Education
and preservation of present prosperity 76-77
and self-development, in the United States 93
attacks on, dangerous to labor 397-398
expenditures for, in United States 365-366
lack of, a hindrance to occupational redistribution 51, 52
to raise standard of living 289
to restore occupational balance 41-42, 43, 53, 55, 166, 301

Educational ideals of United States 93, 368
Educational policies, aims of 329-330
Electrical power 389-390
Elegance, ideas of, largely traditional 307-308
Eminent domain 255-256
England
effect of Labor Party's policy in 117
liberalism in 110, 112
type of "expanding" civilization 292
wealth in, per capita, 1923 363
see also Great Britain
Enterprisers, technicians, and capitalists
competition among 349
effect of dearth of 324
effect of training of 395-396
export and import of 325-326
increase in number of 60, 320, 323, 324, 325
will result in lower interest, profits and salaries 332
increase in quality of 323-324
Equality
desire for 190
economic 190-219
bases for determining 193-194
meaning of 191
of condition 194-195, 197
among occupations 197, 203, 206-207, 338
between persons 197
of enjoyment 198, 200-201, 217, 219
of opportunity 194-195, 196
Equality before the law 220-260
in American constitutions 224-225
Equilibrium of supply and demand 44
Equilibrium price 45-46
graphic illustration of 333-334, 335-337
Equilibrium wage 46-47, 60
affected by immigration 47-49, 332-333
affected by standard of living 49, 332-333
graphic illustration of 335
interference with, by artificial regulation 338-339
progressive rise of 343, 359-360
raised by education of lower wage groups 53-55
Equipment in industry
see Industrial equipment
Equity in interpretation of contracts 266, 268, 269, 272, 277
Esteem
see Social esteem
Extravagance 77-78, 356, 373, 381, 397
of new rich 400
Extrications from want 7, 9, 13, 14, 21, 24, 38

F

Family
and definite parental responsibility 33-34
biological 29
creation of legal, by marriage 29
monogamic 30, 35
patriarchal 33-34
Family property 29-30, 35
Federal Reserve Board 341
Feeble-minded
and labor reserve 350-351
menace of 303-304
Feudalism, part played by 182
Fifth Amendment 225, 227
Finney, Ross L., quoted 320-322
Flux, A. W. 383
Food
and the struggle for existence 4
derived by commerce from wider areas 9, 24, 289, 290, 292
limit to sources of 23-24
see also Subsistence

Fourteenth Amendment
227, 237, 238, 250, 258-259, 264
France
liberalism in 110-111
productivity per worker in
in agriculture 61
in coal mining 386
wealth in, per capita, 1923
Franklin, Benjamin 102
a forerunner of Malthus 289
Fraud, in contracts 271, 272, 274
Freedom
limitations on, necessary
for larger freedom 184-185
under restraint of law
181, 184, 228, 237, 240-241
various concepts of 120
Freedom of contract 131, 263
in relation to labor 250
nothing yet found
superior to 136-137
regulated by law 265
restriction of, necessary 185
under due process of law 234

G

Galton, Francis 205
quoted 314
Gasoline engine,
a source of power 23, 385-386
Germany
productivity per worker in
in agriculture 61
in coal mining 386
wealth in, per capita, 1923 363
Government
and predation 16-17
coercion by 111
properly used 181, 183, 188
competition in 141
distinction between democracy and liberalism in 125-126
Golden Rule, and competition 89
Great Britain
productivity per worker in 61
in agriculture 61
in coal mining 386
in steel industry 384-385
see also England
Greatness through service 95-97, 161
Gunpowder, a source of power 22

H

Hadley, A. T. 20, 30
Homestead Law 299
Horse power per worker 61, 383
Hungary, productivity per
agricultural worker in 61

I

Immigration
cause of overdevelopment
of agriculture 299
effect of, on demand
for labor 47-49, 344, 369, 370
into United States, 1871-1924 364
Immigration
restriction 48, 49, 63, 331, 357
and the labor reserve 318, 319, 331
attacks on, dangerous to labor 397
effect of
in higher wages 332, 370, 394
on slums 76
only partial as yet 382
should be supported by
workingmen 394
to control migration of
laborers 326
Improvident peoples,
danger from 32, 34, 35-36, 66-69
Income
inequalities in 199, 200
national, change in
distribution of 337-338, 349
Independence
desire for 345
of wage workers 342, 343, 344, 346
Individualism 168-169

Industrial equipment
and productivity, correlation between 61, 326-327, 331
three things required by 327
Industrial reserve army 316-351
see also Labor reserve
Industry
effect of expansion of 325, 359
ratio of labor to equipment in 331
Inequality, caused by specialization of occupations 39-42
see also Occupational balance
Infanticide, aspect of high death rate 26, 34
Institutionalism 169
Insurance
see Life insurance
Intemperance
a hindrance to occupational redistribution 51, 56, 63
control of 77, 382
destroys dependability 51, 56, 63, 102
see also Prohibition; Sobriety
Interest
equilibrium rate of 336-337
permanently lower rates of 332
pure, or net, disappearance of 328, 348-349, 359, 409
tendency of, to decrease 324, 325, 358, 359
Invention (Extrication No. 5) 21-24
limitations of, as extrication from want 24
Inventor
dependence of, on investor 355-356
and investor 353-354
Investor, dependence of, on inventor 358
Iron mines, in U. S., power and output per man in 384
Italy
effect of Mussolini's policy in 116
productivity per agricultural worker in 61
see also Mussolini

J

Jeffersonian Democracy 112, 113
Johnson, Alvin S. 37
Jurisdiction of courts 233
Justice
ideals of 97
inherent in our Economic system 72, 161
Justice, social 92, 97, 390
and utility theory of value 212, 214
not charity 97
principles underlying 104-105, 161
difficulty of applying 162,-163
qualifications to statement of 163, 164-166

L

Labor
as a fixed charge on industry 346, 347
assumed mobility of 52
cheap
assumed need for 304, 319
efforts to increase supply of 397-398
exports and imports of 393
freedom of contract relating to 250
immobility of 44, 50
manual
migration of, to industrial countries 325
oversupply of 75, 77, 175, 324, 329
political power of, stronger than bargaining power 174
scarcity of 325
principle of distribution of 135-136
ratio of, to land and equipment 330-331
scarcity of, and independence of workers 344
see also Division of Labor; Labor reserve; Occupational redistribution; Specialization
Labor banks 374, 380-381

Labor Party, British
see British Labor Party
Labor reserve
and business cycles 340, 341
assumption of
need for 316-317, 318, 320
not required by profits system 342
of part time labor 339-340, 342
results from interference
with economic system 339
Labor Unions
banks maintained by 374, 380-381
interference by, with
equilibrium wage 338-339
Laborers,
independence of 342, 343, 344
Laissez faire policy 120
Land
and labor, ratio between,
in agriculture 330-331
cultivation of 9-10
limited productivity of 6, 7-8
public, use of, in United States 367
Language as code of signals 13-14
Law
due process of
see Due process of law
equal protection of 227, 228, 230
more inclusive than
"due process" 237
equality under 191
see also Equality before the law
freedom under 181, 184, 228
"person" in 227, 239
Law of nature, theory of 221-223
in Declaration of
Independence 224
Law of the land 226
Leisure class 98-99, 304, 319, 381, 402
Lenin 115-118
Liberalism
and democracy
in government 125-126
not identical 123-124
and heterodoxy, not
identical 124-125
and standard living 289
antithetical to communism
and socialism 122
difficulty of, as continuous
party policy 120
economic importance of 126-130
meaning of 112, 121-126
opponents of 130
recent history of 110-115
Liberty
"natural" 180
protected by due process
of law 233, 234
see also Freedom
Life insurance 202, 374, 378-379
Locke, John, influence of
philosophy of 223-224
Luxuries for the masses
371, 373, 374, 381, 399

M

MacDonald, J. Ramsay 114, 115-118
Machine production
high wages associated
with 326-327
mass production from 410-411
scale of consumption
supported by 305, 307
Machinery
modern substitute
for slaves 304-305, 401
relief by, from drudgery 401-403
MacPherson, Walter Henry,
quoted 71
Magna Carta 223, 226
Maine, Sir Henry 168, 182
quoted 131
Malthus, Thomas Robert 281
doctrine of 282-289
Malthusianism 26
Man
a predatory animal 15
checks on physiological
increase of 282
the standard-setting animal 150

Man power, productive utilization of 381-382
Management, irresponsibility in 177-178
Managers
effects of premature retirement of 59-60, 98-99, 381-382, 408
jealousy of, a hindrance to prosperity 77, 396
lack of, a hindrance to occupational redistribution 51, 57-60
need of developing 395-396
Marriage 27-29, 82-83
and parental responsibility 33
between whites and negroes 253-254
birth control through 285
postponement of, for higher standard of living 49, 63
Marx, Karl
fundamental mistake of 19, 175-176
wrong prediction of, as to ownership of capital 177
Materialism in the United States 91-92, 93, 94, 102-103, 105, 367
Mexico
attitude of, toward church, not liberal 125
field for authoritarian propaganda 119, 177
low-wage labor from 76, 326, 382-383
should be restricted 351
natural resources of 393
Migration 12, 282
controlled by nationalism 31
not always possible 25
population stress temporarily relieved by 291-292
see also Scattering
Mill, John Stuart, quoted 283-284
Minimum wage law 312
Monopoly 82
due to special skill, illustration of 41
Moral standards
see Standards of conduct
Morons
see Feeble-minded
Mount Vernon Savings Bank 380
Munsey, Frank A., quoted 48
Mussolini 115-118, 142, 190

N

National territory, defense of 31-32
Nationalism
and the problem of poverty 36-37
control of migrations by 31
protection of subsistence by 31
Natural birth rate and death rate 6-7
Natural liberty 180
Natural resources in United States 368
abundance of, to be discovered 396
and diffusion of wealth 393
Necessitous men not free 185-186, 261
New South Wales, productivity per coal miner in 386
Nineteenth Amendment 252
Worthington, Lord, quoted 261

O

Occupational balance, illustrations of lack of 40-42, 42-43, 164-165
Occupational congestion 166, 263, 298-301
in agriculture 299
in coal mining 299-300
in European countries 300-301
not controlled by standard of living 303
relieved by occupational redistribution 301-302
Occupational redistribution 44, 54, 76-77
bargaining power equalized by 263

Occupational redistribution (*continued*)
breeding and heredity in 308
hindrances to 50-51, 51-61
see also Labor, distribution of
Organization (Extrication No. 3) 13
Overcrowding, caused by defective family systems 34
Overexpansion, automatic check on 340-341
Overpopulation 34, 297, 298
Overproduction 348-359
Ownership
concentration of 218
control of 202
diffusion of 199
inequalities in 199, 200, 201

P

Parenthood, responsible 24-38
and family property 30
and irresponsible, contrasted 285
control of birth rate by 26-27, 285-286
implies self-protection 32
impossible with promiscuity 27
only a partial extrication from want 35
Patents
see Copyrights and patents
Paupers, treatment of 312
Philanthropy, productive 106
Police power of states 240, 241-242, 247-250
Politician, type of old-time predator 17-18
Polyandry 29
Polygamy 29
Population
and production, favorable balance between 36-37
congested, food supply of 11-12
congestion of 34, 297-298
effect on, of standard of living 288-289
increase of, in United States, 1876-1925 364
under control 395
stationary 25
three ways of thinning 305
Population problem 280-315
Pound, Roscoe, quoted 10
Poverty
a problem of low wages and unemployment 39
and feeble-minded 350
nationalism the agency for control of 37
of a submerged element 38
Power
as the mover of matter 22
kinds of, used in American industry 389
sources of 22-23, 386-387
see also Horse Power; Man power; Machinery; Solar energy
Predation
and government 16-17
competition in 20
in business methods 20
not an escape from want 19
opposite to production 19
"productive" forms of 15-16
protection of production from (Extrication No. 4) 14-21
waste of effort caused by 15
Price
see Equilibrium price; Value
Procreation, bisexual, methods of 28
Production
and population, favorable balance between 36-37
competition in 20, 139
increase in cost of, a check on expansion 340
opposite to predation 19
protection of (Extrication No. 4.) 14-21
reciprocity among factors of 328, 352
Productive achievement 94-95

Productive activity
directed by standards of conduct 153-154
essential to prosperity 128, 129-130
Productive power, opportunities for development of 93-94
Profit 90-91
Profiteering, effects of 392-393
Profits 204-206
and wages, division between 331, 349
marginal 321, 322
tendency of, to decrease 324, 325
Profits system
and the feeble-minded 350
labor reserves not required by 342
logical results of 347-348
Prohibition 102
and diffusion of prosperity 382-383, 394
attacks on, dangerous to labor 398
Promiscuity
difficulty of suppressing 28
incompatible with responsible parenthood 27
Property
and parental responsibility 29-30
communal 30
family 29-30
institution of
a privilege 84-85, 86
basic fact in 85-86
how evaluated 83-86
protected by due process of law 233-235
safeguarded by suppression of violence 31
subject to
power of eminent domain 255-256
power of taxation 256-259
Prosperity
a by-product of sound ideals 92, 96, 103, 105
demoralizing influences of 412-413, 414
diffusion of 76, 351, 370-371
by opportunities for education 166-167
by productive methods 19
furthered by prohibition 382-383, 394
hindrances to 77-78
how halted 396-397
needed 38-39
principles underlying 104-105
founded on usefulness 95-96
how long will it last? 104, 391-398
mankind not schooled for 413-414
three factors in 128-129
United States as object lesson of 91-92, 108
uses of 412
what will it do to us? 399-415
Protection
of national territory 31-32
of property 30
Protectionism 112, 113, 114
Purchasing power
diffusion of 371-372, 373
reservoirs of, in the masses 100

R

Race as basis for legal classification 252-255
Radical thinking, basic error of 19
Radicalism and liberalism 122-123
Railroads, stockholders of 379
Rape, social control of 28
Recidivists among criminals 312-313
Reciprocity, principles of, among factors of production 328, 352
Reformation, the 223
Religion
and service 95
democracy in, not necessarily liberal 123-124
Republican Party 113-114
Resources, natural
see Natural Resources

Responsible parenthood
(Extrication No. 6) 24-38
see also Parenthood
Rewards, economic 211-212
determined by usefulness 213
Ripley, W. Z. 177
Roman law 183
"law of nature" theory in 221-222
Rush, Benjamin 102
Russell, Bertrand 138
Russia, effect of Lenin's policy in 116

S

Savings deposits in
United States 374-378
occupational distribution of 376-377
Scarcity
a source of human conflict 10
importance of 215
see also Want
Scattering (Extrication No. 1) 7-9
of plant life 8
Seduction, social control of 28
Self-development, opportunities for, in United States 93-94
Self-government, learned by experience under authority 182-183
Servants 304, 307, 319, 320, 391, 401, 402
Service
and religion 95
evaluation of 163
the basis of greatness 95-97, 161
wealth a means of 106-108
Sex as basis of legal classification 251-252, 258-259
Slavery 183
machinery a substitute for 304-305, 401, 402
Slums 75-76, 403
Smith, Adam 160
Sobriety
encouragement of 101-103
see also Intemperance; Prohibition
Social esteem
importance of, for business enterprise 58-59, 62
value of 41, 211-212
Socialism 52-53, 80, 113
and competition 140
see also Communism
Solar energy, future source of power 387, 390, 395
Specialization of occupation
forms of 39
produces inequalities 39-40
Specific performance of contracts 265-270
Standard of living 63
and equilibrium wage rate 49, 332, 335
and independence of labor 346
control of birth rate by 287-289, 395
too much dependence on 302-303
definition of 286-287
Standardization of individual conduct 14-15
Standards of conduct 150-151
agencies for directing productive energy 153-154
false and irrational 154
pragmatic test of 154-155, 156, 157
social value of 151, 160, 161
illustrated 152-153
Static condition, illustration of, in balance of nature 44-45
Status
and contract 131, 168, 169, 263
definition of 169
Steam power 22, 383
Stevenson, Robert Louis, quoted 157
Strachey, J. St. Loe, quoted 90
Struggle for existence 4, 157-159
Subsistence
and life, Malthus' doctrine on 282-289
problem of 4
see also Food

Supply and demand, equilibrium of 44
Surplus above necessaries of life 37-38, 39

T

Taussig, F. W. 383
quoted 42
Taxation, power of 256-259
Technicians
see Enterprisers
Thrift
and the accumulation of capital 60, 63
discouragement of 77, 356, 357, 397
results of 327-328, 332, 337
the basis of capitalism 119
Trial and error, method of
better results produced by 79-80
in solving problems of poverty 37
the way of all progress 414-415

U

Undue influence 271-273
Unemployment
and problem of poverty 39
from interference with equilibrium wage 46, 339
occupational congestion a cause of 298-301
remedy for 107-108, 333
United Bank and Trust Company, Tucson 381
United Kingdom
see England; Great Britain
United States
agricultural productivity in, compared with foreign countries 61
as object lesson of prosperity 91-92, 108
communism and socialism in 114
communistic societies in 170-171
decline of death rate in, 1880-1924 364-365
education, expenditures for 365-366
educational ideals of 93, 368
see also Education
endowments of colleges and universities in 367
factors in prosperity of 92-93
immigration to, 1871-1924 364
liberalism in 111-112, 114
materialism in 91-92, 93, 94, 102-103, 105, 367
national purposes of 92
population increase in, 1876-1925 364
power used in 389
productivity per worker in 61
in coal mining 386
in steel industry 384-385
prosperity of wage workers in 391-394
public lands in 368
real wages in, compared with foreign countries 62, 370
savings deposits in 374-378
wealth in, 1870-1922 362-363
see also Constitution
Universities, relic of monastic spirit in 315
see also Colleges
Usury laws 244-275
Utility theory of value 207-208, 209-210
practical application of 211

V

Value
cost and utility theories of 207-208
determined by practical choices 210
Violence, repression of 15, 84-85, 129
competition regulated by 139
Volstead, Andrew 102

Voluntarism
and liberalism 112
and productive activity 129
depends on freedom of choice 187
economic 168, 169
and contract 131
in institution of property 84-85
Voluntary agreement
advantage of, over authority 173-180
efficiency of 179-180
how far can it extend? 180-189
spread of, with democracy 173
substituted for authority 132

W

Wage scale, artificial 46
Wage workers
as shareholders in industry 380
changing condition of 262
independence of 342, 343, 344
investments by 374-381
prosperity of, in United States 391-394
should support immigration restriction 394
Wages
and poorly managed industries 59, 77, 99, 382, 408
and profits, division between 331
high, associated with machine production 326-327
real, in foreign countries and United States 62, 370
see also Equilibrium wage
Want
driving force of 4
escape from 3-69
Water power 23
Wealth
broadened concept of, as means of service 106
concentration
of 77, 202, 216-217, 371
earned and unearned 88, 400
enjoyment of 407-408
in the United States, 1870-1922 362-363
inherited 400
investment of, in productive opportunities 101, 107
not to be consumed in leisure 98-99, 381
per capita, in England, France and Germany 363
tangible forms of, limited 354-355
through enrichment of fellow men 91
to be expended on production 99-101, 107
see also Capital; Prosperity
Weisman theory of stability of germ plasm 146, 147
Western Union Telegraph Company, stockholders of 379
Wheeler, Wayne B. 102
White, William Allen, quoted 70-71
Wind power 22
Work (Extrication No. 2) 9-13
consists in moving pieces of matter 21-22
necessity for 82, 93
quality or quantity in measuring 197-198, 202-203
real value of 207