

## CHAPTER XI.

### Remedies—4. Justice, Freedom and Co-operation.\*

The social problem of the future we consider to be how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe, and an equal participation of all in the benefits of combined labor.

—John Stuart Mill, "Autobiography," chapter vii.

To regret that socialists fail to avail themselves of natural laws is not to assert positively that these laws are all-sufficient by themselves to secure absolute justice to all. All that we know of them is that they have that tendency, that they have always been grossly hampered by artificial obstructions, and that if left to work out their natural results they would ensure a far greater degree of justice than we now enjoy. Friction always interferes with the mathematical precision of a machine, and there will always be friction in human affairs. To prophesy how much and how little there would be under free conditions, is an idle pastime, and the foretelling of a Golden Age belongs to the realm of poetry and not to that of practical economics. It has never been possible

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\*Mr. Crosby left with the manuscript of this book several notes and memoranda. The four which follow seem to be properly connected with this chapter.—L. F. P.

"Land value question the most important because all other reforms but increase land values."

"The introduction of machinery has greatly increased and centralized land values, and the equable distribution of land values will also equalize the effect of the introduction of machinery."

"Monopoly is the king of robbers for it strikes at the root of the tree."

"The foolish thief stealeth his victims' goods and is cursed by them; but the wise thief stealeth their opportunities, and behold, they rise up and bless him."

to predict future social systems, but it is always in order to put a stop to injustice. It may be necessary when all impediments to natural laws are removed still to do something more to prevent all exploitation of man by his fellow, but I contend that first we should make all the use possible of unobstructed natural laws before we try to determine how much artificial interference is required of us, or rather how little interference we can get on with. We should have only so much interference as is necessary to prevent injustice; but we cannot tell where to draw the line, unless we first abolish unnatural privileges. We must make a *tabula rasa* before we can build effectively upon it. We must clear away the rubbish before we grade the ground. Set your clock straight on the mantel before you call in the clock-maker, and it may go without him, or at any rate it may need much less repairing than you suppose. If you find a man escaping from brigands, hobbling painfully and fettered and gagged, which is the best way to treat his ailments—to construct a complicated wheeled-chair for him, which may never work at all, and then pull him about with his fetters on, or to knock off his fetters and release his limbs? Common sense says, “Knock off his fetters, and then if he turns out to be permanently lame, it will be time enough to get a chair for him.” Let us consider the fetters which now shackle our industrial life, and briefly suggest the way to get rid of them.

And first among the fetters I would name the tariff, because of all of them it is the most obviously immoral and artificial. We have already discussed the folly of forcing our own citizens to pay more for their own products than foreigners pay,—of “holding up” visitors to our land and taking away their goods,—of punishing as a crime the act of adding to the wealth of the country. We have seen that the cost of transportation is sufficient protection of itself against the competition of civilized countries, and that the instability of the social conditions of uncivilized countries,

by rendering capital insecure, would do away with the competition of "pauper labor" if the civilized world would only abandon an imperialistic policy. It is here again the infringement of a natural law which produces the injury which we endeavor to cure by another equally unnatural law; but two wrongs cannot make a right, and we are bound to suffer so long as we heap up evil upon evil in the hope of balancing one with the other. And it is not merely a matter of economics, but rather one of good manners and morals. I passed a week in Canada recently and was most of the time within hailing distance of the frontier, and I blushed for my country and was ashamed to speak on the subject of custom-houses. Along that line, much of which is imaginary, we have placed an almost insuperable obstacle to friendly intercourse. We spend millions to bridge rivers and pierce mountains, and then in sheer wantonness by a stroke of the pen we raise a barrier more effective than the Andes and Himalayas with the Atlantic Ocean thrown in. The Canadian merchant who dares to bring his goods into our territory is relieved of half of them, and we have thus done what we can to shut that narrow strip of Empire out into outer darkness. The average cost of bringing goods from Europe to Canada varies from five to fifteen per cent, but to carry them across the invisible line between Canada and the United States costs fifty or sixty per cent! It is worse than a slap in the face to our next-door neighbors, and I wonder that Canadians are willing to speak to us. Why is it that nations will not behave like gentlemen? Tariffs upon importations should everywhere be abolished. First their protective features should be obliterated (for a much stronger opposition can be marshalled against them), and then after the necessary period of public education, they should be rooted up and cast out forever. The only good that they have ever done has been to provide a revenue (which, as we shall see, can be much better provided otherwise), and to build a wall of defence around the preserves of monopolists. The

ruins of our custom-houses will seem to our descendants as monstrous a relic of barbarism as the amphitheatres for gladiatorial shows and contests with wild-beasts appear to us.

But how is the revenue, supplied by a tariff on imports, to be made good? We find the answer to this question in the solution of the difficulties presented by another monopoly, and the greatest of them all—the monopoly of land values. We are accustomed to look upon property in land as if it were identical with property in manufactured articles, but there is in fact a wide difference between them. The principle upon which the right of property rests is that a man should possess that which he makes. I make a coat or an axe, and it belongs to me or to the person to whom I assign it. A company constructs an engine and the engine is theirs or their assignee's. With land, however, it is another matter, for no man made it. The right to land is in its essence a right to space, for the law conceives of a piece of land as a sort of cone-like enclosure, extending from the centre of the earth to the zenith, and embracing the heaven above, the earth beneath and the water under the earth. Now it cannot be held that the ownership of space and the ownership of a thing are of the same nature. The ownership of a thing does not involve the ownership of the space which it occupies, for a thing is movable and passes over the land of many people without affecting the ownership of it. Even a house may be moved, and it is a common thing for a house to be the property of one person, and the land upon which it stands (that is, the space which it occupies), of another. I think that in drawing this distinction it is better to speak of "site" or "space" rather than of "land," for the latter term is confused with the soil contained in the space, and this soil is merely an incidental matter. The ownership of the land involves access to the soil and minerals contained in it and to the use of them, just as it involves access to the street or harbor upon which it fronts, but these are all mere accessories of the

possession of the space. Now how can a property right in space be founded? There is really nothing but occupancy and force upon which to base it, and these are flimsy pleas to present to other claimants. If it is necessary in establishing new standards of justice to examine the titles of all possessors, mere occupants must yield priority to those who possess what they made or what was assigned to them by the maker or makers. There has always been a lurking suspicion in the minds of the great thinkers of the world, ancient and modern, that property in land differed from property in things, and the secret lies, I believe, in the idea of fixed space, which is involved in the one and not in the other.\*

There is no sound foundation for property in space, and by recognizing property in that which ought not to be the object of property, we have brought upon us the evils always incurred by the violation of natural law.

The ownership of space is a natural monopoly, and the value of land, or site value, as I shall call it, is the measure of its monopoly value, increasing with the value of the monopoly. This increase is the "unearned increment," not produced by the owner, which John Stuart Mill first named, and which he suggested should be taken by taxation. We have here certainly a monopoly, and one that enters into almost all other monopolies. A monopoly is a right which is exempt from equal competition, and the right to occupy a given space is often thus exempt. The right of way of a railway along a natural highway, the right of way of a street-railway along a public street or road, the terminal facilities of a railway or pipe-line in a city, the frontage for wharfs on a harbor or for shops on a thoroughfare—all of these are in their nature restricted and not open to the general competition to which the manufacture of things is

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\*See my "Earth for All Calendar," G. P. Hampton, New York, publisher, 1900, containing quotations from upward of two hundred authors of all countries and ages on this subject.

usually open, and their value is easily measured by the price which they bring in the market; and this price, irrespective of the value of improvements made by the owners, is the measure of the advantage which the owners possess over the rest of mankind—or, in other words, of the value of their monopoly. Site value proceeds from two sources, access to natural opportunities and access to the community. It is thus always a right of access. In the case of a piece of land in a city the access to the community is usually the only element of value, but in the case of a mine it is the access to a gift of nature that prevails. But to natural opportunities must be added also access to the community, for a mine in a wilderness without means of transportation would have no value. Site value does not spring in any way from the owner of the site, and this is the reason why he cannot claim any right to it above others. It is not true, however, that the basis of the claim of the community is the fact that the community has created the value, for the community in a sense creates all values, the demand of the community being a constant element in value. The value of a thing depends on supply and demand. Supply may be said to produce the article, and demand to produce its value. Thus the community may be said by its demand to create the value of a diamond or of a suit of clothes, but that does not give them a title to it. The case of the community depends upon the fact that it is unjust for an individual to monopolise that which he did not create, and upon which all men have an equal claim with him. There has been a good deal of confusion of thought in the arguments used by advocates of land reform, and it may be that only gradually will this branch of economics be properly analysed and systematized. It is clear, however, that the possession of space must be distinguished from the possession of the materials contained in that space, and that natural deposits of soil and minerals and natural advantages of situation must be distinguished from community ad-

vantages, and that the claim to values based upon the fact that the community created them, must be dropped.

In what way can this site monopoly, this privilege resulting in no way from private merit, be abolished? It has been suggested that the land should be nationalized and administered by the state as landlord, and this is in part the plan of socialism, but it would involve a great amount of labor and an intricate system of bookkeeping. We know what a large office-force is required to manage an ordinary large estate, and it is evident that for the state to manage its real estate in the same way would necessitate an army of office-holders and a very complicated administration. The method proposed by Henry George would accomplish the same purpose, and yet actually simplify our present governmental system of taxation. His plan is merely to tax land, that is, sites, to their full annual value, which is the exact measure of their monopoly value. The value of the site must be separated from the value of the buildings and improvements upon it, but this is perfectly practicable and is already done wherever ground-rents are collected. Some of the finest buildings in New York are thus built upon leased sites. Where each owner of monopoly pays annually the full value of that monopoly, the result is that the monopoly is entirely neutralized, and the equal rights of the community in the space of the earth restored. We already levy a tax on land values in America, and the only difference would be that the tax would now be greater. No new duty would be laid upon the administration except to separate site values from improvements, and this is the practice already in New York and elsewhere, although both sites and improvements are still equally taxed.

Superficial thinkers sometimes assert that a tax on site values is not really paid by the owner of the site, but that he adds it to the rent and that it is eventually paid by the tenant. But this is not the case. The amount of the ground-rent is fixed by supply and demand, and is not affected by the

taxation of the site value. Taxation tends to diminish the supply of all manufactured things, including houses, thus increasing the price to consumers and raising house-rents, but a site value tax cannot alter the supply of sites, and all economists are agreed that this is a tax which cannot be shifted.

The indirect advantages of such a "single tax" would be enormous. It would involve the abolition of all other taxes upon personal property and buildings. Such taxes, including the tariff, discourage manufacture and trade. Put a tax on an article, and its production is at once diminished. A tax on land, however, forces the owner to make the best use of it so that he may pay his tax, and stimulates building and manufacture. The result would be low rents and low prices. At the same time all speculation in land would cease, for the unearned increment would cease to go to the purchaser, and the suburbs of cities and towns would be available for builders and residents at their actual and not at speculative values. Business of all kinds would flourish, and necessities and luxuries would be cheap, and there would be no speculative element in the change to bring on a crisis. This site tax would really make land free to all who can use it, and it would thus open a means of retreat to workmen suffering from hard conditions and enable them to demand their rights. Benjamin Franklin shows us how this safety-valve of free land worked in colonial America, although there too the best sites were already monopolized. "Notwithstanding this increase [of population]," he writes, "so vast is the territory of North America, that it will require many ages to settle it fully, and, till it is fully settled, labor will never be cheap here, where no man continues long a laborer for others, but gets a plantation of his own; no man continues long a journeyman to a trade, but goes among these new settlers and sets up for himself." ("Observations concerning the Increase of Mankind," 1751, Works of Benjamin Franklin, vol. ii, page 225.) So in South Africa



the ability of the natives to support themselves upon the land, gives them the power to treat upon an equality with the mine-owners, who consequently wish to enslave them. There is still an ample supply of land in America which this site tax would throw open. It would not, indeed, take us back to a primitive life; but by keeping the door open to such a life, it would enable workmen to insist upon good terms of employment under modern conditions. It is impossible here to enumerate the many blessings which such a system would bring upon society, and the reader is referred to the eloquent pages of Mr. George's "Progress and Poverty," for a full consideration of them. As to the fiscal aspects of such a tax and its sufficiency for all national and municipal purposes, Mr. Thomas G. Shearman has clearly shown the facts in his "Natural Taxation" (G. P. Putnam's Sons, New York, 1895). It seems, indeed, as if another natural law had been discovered, and that nature provides a fund adapted to communal wants from the excess-productivity of valuable sites.

Let me give an example. A, B, C and D settle upon a piece of frontier land, dividing it between them, and build their four houses near each other. Each one works his farm alone, and they all work with the same ability and energy. They soon discover, however, that A's land is more fertile than B's, and B's than C's, and C's than D's. At the end of the year A has earned say \$400, B \$375, C \$350, and D only \$300. Now it becomes necessary for these four friends to provide for some public expense—a common road, or a school-room for their children. How shall they contribute? Would it not be far fairer to take \$100 from A, \$75 from B, \$50 from C and let D pay nothing, thus bringing the earnings of these four equal workers to an equality, than it would be to make each pay an equal quarter of the \$225 to be raised? In this little community the real and natural reward of labor is the \$300 which D earned on the poorest land in cultivation, and the

surplus above this sum which A, B and C obtained, and which D would have obtained upon their farms, was an unearned contribution from nature. The same result would have been occasioned by the superior access of A, B and C's farms to the market, and then their unearned increment would have been drawn in full from the community. Adam Smith in declaring that the produce of labor constitutes the natural recompense of labor, expressly makes an exception of this contribution of the site value to the product. In an ideal community A, B, and C would see the justice of paying their excess into the common treasury, but so long as we indulge in forcible taxation it is better to take *in invitum* that part of a man's income which is unearned and due to his site advantage, than to spoil him of his earnings. The surplus of income above D which nature or the community gave to the sites of A, B and C, is the value of their site monopoly and the true ground-rent of their land, and it is this which Mr. George proposes that the state shall take, while D would not be taxed at all. It is a measure of ideal justice.

This proposal has often been received in a way which almost suggests lack of good faith. It has been treated as a harsh measure to farmers, and as if it had a special bearing upon rural communities, when as a matter of fact it is aimed at unearned increments and its chief operation would be in cities where such increments are centered, many farmers being in the situation of D, or not far removed from it, and almost their only values consisting in personal property and improvements, which would go untaxed. It is the farming community of all others which would benefit by the Single Tax, most of its members finding their taxes reduced and many finding them altogether removed, as in the case of D in the above example.

It is sometimes asked, Why, if you are taxing unearned increments, not tax also the unearned increment of personal property? Stocks rise in value as well as sites. Then why not take this in-

crease by taxation? This argument is specious. Shares of stock are not really property, but merely represent property, and this represented property is itself usually in large part site values, including the franchise values attached to site. Railway stock, for instance, represents land, rails and rolling-stock. If the value of the stock advances, it means either speculation, or an increase in the franchise value growing out of the right of way, which is real estate. The rails and rolling-stock do not appreciate in value, but depreciate. And this marks an important difference between site values and the value of personal property, including buildings. Personal property is always wearing out and tending to disintegrate. Even the most substantial houses rapidly fall to pieces unless they are constantly repaired, and gold coin in time wears thin, while most personal property lasts only a few months. Hence the unearned increment in personal property is a rare thing and trivial in amount. Wine for a certain time, works of art of a high class—these things may indeed have an unearned increment, but it is only until they spoil or fade away, and it is hardly worth while to seek them out and appraise them. A store of wheat may rise in value, but at most it is a matter of a few months, and it would cost us more perhaps to search for such values than we should gain by taxing them. Sites, on the other hand, never wear out and their values are of a permanent character. Besides this, another principle conflicts with this taxation of the unearned increment of personal property, and this is the principle that a man is the owner of what he has made or procured from the owner. The unearned increment which attaches itself to an article thus earned is a very different matter from the unearned increment which attaches itself to particular sites which no one made. In any event the taxation of personal property, whether or not it covers an unearned increment, tends to drive property out of the state and is hence undesirable. From every point of view, therefore, there is a dis-

inction between the taxation of unearned increment in land and in things, and we do well to reject the latter and hold to the former.

The abolition of monopoly in land by a site tax would also dispose of several derivative monopolies—all of those in fact whose franchises depend on right of way for rails, pipes, wires or any other means of transportation, conduit or communication; for a franchise value is really a site value and can be taxed in the same way as ordinary land. The ownership of a lot of land is really a franchise—the franchise to build upon it or cultivate it; and the franchise to lay pipes or rails or wires is one of the same character. It is really a right of way, and rights of way have always been classified as real estate. The State of New York has already begun to tax such franchises in its streets as real estate, and the principle is correct. There is nothing, then, to prevent the taxation of such franchises to their full value, thus neutralizing their monopoly; and this would abolish altogether the railway monopoly, including street surface and elevated railways, and such monopolies as those of the telegraph, telephone and electric light and power companies, and of gas and steam heating companies, and also that of the express companies which grows out of the railways.

The same principle could be applied to mines as well. Their monopoly value can be controlled by taxation.

The internal revenue tax would disappear if a tax on site values were adopted in place of all other taxes, and the brewing and distilling monopoly would be broken up.

There remains the patent monopoly, with its comparatively unimportant sister, the monopoly of copyright. Wherever necessary some other way can be found to reward inventors, or their royalties can be limited. As a matter of history, the inventor rarely reaps the benefit, but it usually goes to an assignee. Hence we need feel no extraordinary scruples in dealing with this, the most plausible of monopolies.

While a rational mode of taxation thus promises to dispose of all the above monopolies, it is possible that with respect to some of them the public will prefer the more cumbersome method of public ownership. I have already indicated the undesirability of increasing the functions of bureaucracy, but it is still true that it is better to have the government own the various monopoly companies than to have them own the government, which is practically the case to-day. Unless the people can be persuaded to take immediate steps to absorb monopoly privileges by taxation, it would be wise for them to own and operate such public utilities as experience shows us can well be managed by States and cities. Railways, telegraphs, telephones, express service, gas and electric lighting—all of these have been successfully operated by states and municipalities in many parts of Europe and America. By all means, then, rather than leave these instruments of monopolistic tribute in private hands, let us take them over; but it would be far better to begin a campaign of taxation against them until the "water" is squeezed out of their shares.

We have still to consider the difficult question of the banking and currency monopoly, and we must try to apply to it the same remedy of natural law to which we have already had recourse in other cases. There should be no monopoly in this field. There is no reason why the government should not allow individuals to compete with it and its national banks in the matter of issuing notes and in any other way facilitating exchange. There is undoubtedly some better way of conducting exchanges than that in vogue, but how will it ever be discovered if no one but the nation is allowed to experiment? The government might as well forbid every one but itself to keep a bank account, as to put a prohibition upon the issue of credit notes, for all credits should be liberated and made effectual. To remove this prohibition would not prevent the government from continuing to coin money and issue currency as it now

does, and it might well insist that other currency should be made altogether different in form, so that no one could be misled; but it has no moral right to interfere with individual experiments in mutual banking, the mutual insurance of credits, and the issuance of labor-cheques or other currency. We must add free banking to free land and free trade before we have exhausted the remedies afforded by natural law. If after that has been done society is still imperfectly organized, it will be time to consider the new and artificial changes which may be required.

The gains of banking usually take the form of interest, and interest is money paid for the use of money.\*

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\*Mr. Crosby left with his manuscript the following notes which he related to the manuscript page in which the above sentence appears:

"Ready exchangeability of money the reason for interest."

"Interest is a premium on the difference between present and future satisfactions."

"Part of interest is insurance against loss."

"Under single tax, people pay rent to themselves, and under mutual banking system they would pay interest to themselves (like a mutual insurance company)."

"Under co-operative system profit would go to themselves."

He further noted that he was to "change" this page "to show that under co-operation advantage of interest would go to wealth-producers;" and that he was to "quote points on co-operation in Briggs's booklet."

"Briggs's booklet" is evidently an allusion to "The Single Tax," by George A. Briggs (an address delivered before the New Church Society of Elkhart, Ind.), the last part of which is devoted to the subject of co-operation under the single tax. The points referred to by Mr. Crosby seem to be covered in the following quotation:

"Under our plan, the fear of want will be eliminated, but so also will be the ability to make monopolistic investments. What, then, will become of that surplus wealth?"

"Plainly, it will seek investment in competitive enterprises. But since such enterprises depend for their success upon the character and ability of the management, the first thing necessary will be to find men of desirable character and ability. Many such men will be found at these, needing more capital, will be willing to sell stock the head of businesses already in operation. Some of

Money has no power of increase in itself, but its power to draw interest depends upon the fact that it can be exchanged for sites, which produce rent, or for capital (that is, machinery, etc.), which produces profit. If site values are taxed out

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in their enterprises. But to do this, is to divide the profits and no stock will be for sale unless such increased capital will increase returns.

"When, therefore, surplus wealth has exhausted this method of investment, it will seek for men to establish new industries. These will be found among the salaried foremen, superintendents and managers of established enterprises. These men will have the technical and practical experience necessary for the purpose.

"On being approached, some of them will be glad to accept an opportunity to become share holders in new enterprises rather than continue on salaries in old ones. Others, more timid perhaps, will talk the matter over with their employers. If their timidity be not too pronounced, they will present the offer as being attractive. If also they are valuable men, employers will endeavor to keep them. Such employers will point out the vicissitudes of business, the many capacities needed successfully to manage an enterprise, the keenness of competition, and the patience necessary to establish a new industry in any field.

"If these arguments prove futile, they will endeavor to tempt such employees by raise in salary. Some will fall under this temptation, but others more obdurate and perhaps more valuable will not. The employers, then, facing not only the loss of a valuable man, but also the dangers of competition from him, will search for a plan that will bind him to them. In many cases they will be forced to offer him stock in their enterprise either as a gift or as a purchase, and, happily, the increased wages which our plan has produced will enable the employee to accept the proposition.

"In some such way many new enterprises will be started and many valuable men will become stockholders in enterprises where formerly they were salaried employees only.

"As a further step in this direction, the search of jobs after men will continue until the cost of labor reaches a point where, all things considered, it will be impossible to raise it further. Some other inducement will then be necessary to secure or retain men, even in the humblest capacities. No other offer will be possible except to sell them stock, and thus step by step, all industry will become co-operative, not forcibly from without, but by interior development in a continuously ascending series."

L. F. P.

of private hands, money will no longer be convertible into rent-bearing land and that element of interest will disappear. There remains, however, the element of profit from the use of capital, and this does not include monopoly profits. There is a natural law of profit similar to the natural law of rent, namely, that profit rises from the difference in productivity between the poorest capital (that is, machinery, etc.) in use, and better capital, just as rent is the difference in productivity between the poorest sites in use and better sites.\*

The wages of the workers in the poorest factory in use would fix the natural standard of wages. But if the workers in the better factories are paid according to this standard, as is just, there will remain a surplus above this, due to the superiority of their machinery. This surplus, however, arises from no "unearned increment" or monopoly value, as is the case with land, but is a reward for the use of better machinery, properly earned by its owners. In a perfect civilization where all men used the best machinery, this profit would disappear, but every new invention, as it was gradually introduced, would revive it again. So long as this profit continues and is free from all taint of monopoly, it forms a proper fund for the renewal of capital. In our present conditions it is impossible to separate this true profit from monopoly profit, but we may reasonably suppose that it is comparatively insignificant in amount, and that it is bound to grow less as the means of production are brought nearer to the highest standard of efficiency. The profit source of interest thus promises to vanish, just as the rent source will vanish—in the former case by unassisted natural laws, in the latter by the refusal of the community to allow individuals to retain a source of income to which they have no claim.

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\*See the able and suggestive paper of Wm. G. Sawin on "The Profits and Volume of Capital." Publications of the American Academy of Political and Social Science, No. 320, Philadelphia, 1901.



It may seem strange to the thinker that natural laws are insufficient to make way with both rent and interest, both of them seeming to be signs of friction and imperfection; but I see no tendency to the disappearance of rent—on the contrary it increases. Perfect means of transportation might be expected to dissipate and equalize site values, but they have the opposite effect, and every new railway from New York increases the value of land on Broadway. Some of the advocates of banking and currency reform have supposed that the abolition of interest would diminish or even abolish rents. But here again, as in the case of improved transportation, the result would be to increase rents, for capital would be plentiful and land would be in greater demand than ever. The abolition of interest will tend to fluidity in business affairs, just as improved transportation does; but this very fluidity, strange to say, conduces to concentration and not to dispersion, and it is sure to add to the value of valuable sites. The material progress of a community may therefore be measured by the rise of rents and the fall of interest. Interest will have a tendency to pass away by natural laws, but rent will remain to be dealt with—a giant, forever growing in strength and stature.

And it is curious to note that interest has always been looked at askance in all ages, forbidden by religion after religion, denounced by teacher after teacher, and that it is limited to-day by usury laws which cast a slur upon its character. Compound interest is the legitimate daughter of interest, but if ten per cent interest were allowed upon one cent for 1893 years, it has been computed that it would take seventy-eight figures to write down the result of the "investment." The single cent would have swallowed up the world. This calculation throws suspicion upon the principle of interest, and it seems as if mankind had always had an inkling that in a perfect state it would have no justification. The fact that it enables so many people to lead a life of permanent

idleness, supported by the labor of others, is another reason for criticising interest. If I do two days' work in one, no one would challenge my right to a holiday of one day; but as soon as that one day is transformed into a certain period of time every year, not only during my life, but forever, you at once lay the foundation of injustice. If I save ten thousand dollars from my earnings, by all means let me spend it; but to tell me that I and my heirs are thereby entitled to six hundred dollars a year for a million years, and then for another million years thereafter, is pure moonshine upon its face.

But is the allowance of interest necessary to the saving of sufficient capital to keep our industries in a state of efficiency and provide for their expansion? The fact is that as interest falls, our savings banks become fuller and fuller. There is no reason why a man should not save a thousand dollars for the purpose of spending it in his old age, or of providing for his children, or to assist in establishing some industrial enterprise whose products he needs. Squirrels and bees save without receiving any bonus upon their savings, and men can doubtless acquire the same wisdom if they try. It is sometimes stated that the essence of interest consists in the fact that men prefer to enjoy a thing now to postponing the enjoyment of it to the future, and hence that they will always pay a bonus for anticipating the use of it. But may we not expect the advent of a more philosophical frame of mind, which will allow the trouble of preserving the desired thing, to offset the annoyance of waiting for it? The fact that a man wishes to lend, shows that he has more money than he wants, and hence that it is a favor to him to keep it for him; in other words, that it is worth more to him in the future than in the present. Time does not belong to the lender alone. At any rate it is a fact that as civilization advances, interest falls, and that there is every reason to expect it to sink to the cost of providing capital. And the abolition of monopoly would

gently facilitate this descent, for much of the interest of to-day is monopoly interest, derived from the banking monopoly, the land monopoly and the other monopolies. To sum up, it would seem to be the natural use of wages to support the worker and his family; the natural use of rent to pay for the communal enterprises now grouped under the activities of the government; and the natural use of profit to renew and extend capital. Of the three, profit is the only one which lacks elements of permanence and which would be likely to disappear in a perfect society, but it would take away with it its twin sister, interest. The incentive to save, supplied by interest, will at first yield place to a less speculative prudence, but eventually the world will perhaps find a new energy in the spirit of active co-operation.

This spirit of co-operation is the power which must animate society in the future. Just as senseless letters grouped together form a word full of meaning, and as words, in their turn, grouped together, form sentences instinct with genius, so men co-operating one with another gain a force and significance infinitely surpassing the mere arithmetical sum-total of their individual values, for men in combination advance in geometrical progression. Co-operation takes many shapes, and in some of them it has already succeeded. Municipal waterworks are common and uniformly satisfactory. The trade union involves a kind of co-operation, and it may have a great future if it ever trains its members to the point of conducting industries on their own account. It will be a long time before that can be done, but unionism promises better for the democratization of industry than any political movement. Every member of a trade union is learning how to get on with his equals, how to yield his will to the common will, how to present his views to his fellows, and how to compromise with those who cannot be persuaded. If we are to make any approach to Utopia it must be along these lines, for its foundations must be laid in the character of the men

who form society, and one of the chief values of the labor union is that it is a school for character. As soon as the members of a union become fully worthy of the confidence of each other, so that they will completely trust each other, there is no limit to the advance which they may make in the way of co-operation.

The trusts are conspicuous examples of successful co-operation. With all their faults they present a remarkable spectacle of mutual faith. While they may prey upon the public, the trust promoters among themselves hold their word as if it were their bond. This is a great human achievement, and might have been impossible upon so vast a scale at an earlier stage of civilization. And it is time perhaps to put in a word for our business world. Its ideas come very near being proper ideals. The ideal, for instance, of exerting wide influence, of wielding power, is a noble ideal, where the power is one of character and service and not one of mere brute force. Our business in the world is to express ourselves, to make ourselves felt, to leave our mark on human affairs as deep as we can. In so far as a captain of industry is doing this he is doing well. The ideal of supplying the people with any one of the necessities of life, such as oil, or sugar, or corn, is also a high ideal. It is one of the best forms of usefulness, and the man who does it has a right to claim a place beside the poet and the teacher; and, indeed, in some respects his function is more fundamental and important than theirs. This field of usefulness is one in which the highest qualities of humanity can well show themselves—in which we ought to look for the devotion of saints and heroes, and the self-sacrifice of martyrs. Why do we not find these in the business world?

It is because the business man puts the emphasis, not on service, but on gain. The clergyman, the professor, the editor, the soldier, thinks little of his salary. It is a mere incident. The business man thinks of little else, and the higher

he gets in the world of finance the more his success is measured by the money he makes. There is no reason why a man's success in furnishing the world with kerosene oil should be measured in money, any more than another man's success in providing it with poetry or sermons. Milton got five pounds for his "Paradise Lost," and yet we think none the less of him. We measure his value by what he did, and not by what he got for it. It ought to be a proud thing for a man, other things being equal, to supply millions with sugar, but it is a matter of comparatively little importance how much he gets for it. When the ideal of service is merged in the ideal of seizing others' earnings, then that which might be a noble, unselfish devotion to the interests of the human race, becomes an inordinate desire to squeeze all that can be got out of it. The task of supplying the world with coal, gas, oil or transportation facilities is a grand work, but it becomes infamous when it is made the pretext of exacting tribute, and of reaping where others have sown.

Another indictment against the financiers who are responsible for the present state of the world, is that they have made it ugly, and are steadily making it uglier and uglier. A hundred years ago the world was less sanitary but far more beautiful, and our industries of all kinds are busily at work spoiling city and country. This side of the industrial question is often forgotten by the average man, but it presents itself forcibly to the artist, and perhaps we should all cultivate the artist's eye. It is this hideous quality of our industries, in factory and mining region and city slum, that forced such men as Ruskin and William Morris into radicalism, for they yearned for a civilization in which production should be beautiful, and they saw that the root of the ugliness was the selfishness and injustice which defied gain at the expense of service. We must exchange the question, "Will it pay?" for the better one, "Will it be of use?" No true art can grow up in a society living in conscious injustice, for justice is

the architecture of heaven, and our architects cannot build noble cities until we square our conduct with the heavenly vision. We find artistic wonders to-day in the ruins of Athens and Memphis and Nineveh, but what would there be a thousand years hence to pick up in the ruins of New York, except indeed a few articles in our museums, the product of other ages and climes? And the secret of the trouble is that we are unjust, and that at the bottom of our hearts we know it. We must begin to be beautiful by adopting a new idea in our business world—the ideal of usefulness instead of the idea of gain. Business must cease to fly the pirate flag. Directors must think more of the public than of shareholders, and must learn that their railways do not consist of stock and bonds. And manufacturers must feel that it is their business to manufacture goods and not dividends.

The great co-operative societies of England, most successful examples of co-operation among consumers, are profit-sharing concerns, but it is quite possible to co-operate without any idea of profit. And there are many existing examples of such co-operation. Take Harvard University, for instance. It is a corporation of considerable importance, and carries on a business which rivals in extent and intricacy a good many large business houses. Yet it has no stockholders, pays no dividends, and knows not the name of profit. No one thinks of asking whether it pays or not, and it is considered a sufficient justification for its existence that it is useful. The real design of such an institution is service, and those who co-operate in its work live in an atmosphere in which they are likely to think more of their work than of their stipend. No decent professor cares much about "making money." Our hospitals, museums, libraries and picture galleries are managed in the same way. Now, there is no reason in the world why the same principle should not be applied to other activities. Railways and factories could be founded and administered in precisely the same

fashion, and under new conditions railway men might forget the chase of the dollar and actually have no stockholders to forage for. Mr. Carnegie founds libraries. He might just as well have founded railways, and he would thus have contributed to the settlement of the conflict between monopoly and labor. His railways could have been operated at cost by employes at once well paid and not overworked, and by the law of competition the other railways and industries of the country would have been directed toward a cost basis. The result would be that each man would retain more and more of his own earnings, and less and less of the earnings of other people.

But there need be no element of charity in such enterprises, and the public can raise sufficient capital for them if they have the wisdom and the confidence. And the thing was actually done some years ago in Indianapolis, as I learned some time after having recommended it in an article. In 1887 Mr. Potts of that city was aroused by the exactions of the Indianapolis Natural Gas Company, and in order to free the people from its power he organized the "Consumers' Gas Trust." An active canvass was conducted in every ward of the city for popular subscriptions to the stock of the trust at \$25 a share, and five hundred thousand dollars were thus raised in three weeks. The trustees served without pay, and they saved a million dollars a year to the consumers! Interest was paid at first on the stock (which was non-salable), but the design was to return the capital invested as soon as possible, and then furnish the gas at cost. The stock had to be increased to \$605,000, and it was necessary to borrow \$750,000 besides, but early in 1898 all of this had been paid off, and only \$236,000 of the original \$500,000 remained on hand. The experiment is described by Professor Forrest of the University of Indianapolis in the *American Journal of Sociology* for May, 1898, and it appears to have been a complete success. The plan is applicable to any kind of business, the only requisite being public

confidence in the managers. And if the public desires the service sufficiently, the money could be subscribed without interest, the principal to be refunded as soon as possible. By such a corporation the charges could be reduced to actual cost, and when such a system became common the old rule of charging "all that the traffic will bear" will be forgotten. Once get rid of the stockholder, and it seems to me that such a system is preferable to municipal ownership. You escape bureaucracy and the dry-rot of officialism, you preserve the all-important vitality of private initiative, and you do not force the dissentient portion of the community to take part in an enterprise against their will. And what a good thing it is to dispense with the stockholder—this new freak among property-holders; the owner without duties or responsibilities, who like a leech does nothing but suck! In no former period of the world's history has such an irresponsible kind of property been possible, and it is not likely that this sport of nature, this *lusus naturae*, is destined for long to reproduce itself.

Two classes of objection will be brought against the plan of reform which I have outlined. The socialist will declare that it does not go far enough. He will have nothing less than "the public ownership of all the means of production." But even he must admit that injustice is unjust, and that it is right to abolish unjust privileges. He will not deny that it is wise to equalize the rights of men in land, and that there are a greater number of valid arguments for doing this than for equalizing their rights in manufactured wealth. All personal property flows from land, and it is easiest to deflect the river at its source. The present stock of things will soon wear out of itself, just as the present water in the riverbed will be lost in the sea. Then why not begin by equalizing rights in land? It is surely a long enough step to take. On the other hand, the conservative critic will contend that I am much too radical, even if he admits that there is some



ground for complaint. To him I would say that these changes can be made as slowly as the people pleases. Begin to reduce your tariffs on imports and to increase the freedom of banking and trade, and at the same time remove taxation as gradually as you wish from personal property and improvements on land, to the land—the site value. Set your face toward freedom and equal rights, that is all that is essential. Free trade is the real remedy, but “free trade” in a far wider sense than most free-traders have understood. Trade, to be truly free, must cast off all its shackles—not only the protective tariff, but all taxation on industry, and all tribute to the monopolists of money, rights of way and situation; and in this work if it stops short of land monopoly, the danger is that all the resultant benefits will inure to the advantage only of the landlord, whose rents are sure to rise as the condition of his neighborhood improves. Real free trade means trade free from all artificial hindrances.

To the critic who finds this whole discussion too materialistic, who declares that man does not live by bread alone, who thinks the poor are as happy as the rich, and that we should turn our attention to affairs of mind and soul, rather than those of bread and butter, I would reply that bread and butter are merely pawns for spiritual things. Justice is a thing of the spirit, but it works in the material world; and we must have just foundations for society before we can properly indulge in the cultivation of our higher natures. Our souls must express themselves through our bodies, and the soul of society must speak through its institutions. We must play the game of life fair before we can be at peace with ourselves, and we cannot develop ourselves or our society until we are thus at peace. But let us not call that peace which is no peace, for there is a peace of life and a peace of death—a glorious peace founded on justice, and a disgraceful peace founded on injustice. We must not wish for

peace in the industrial world unless it comes hand in hand with equity.

It is impossible to predict what course the human race will take in the future. A new order seems to be forming, and its motive power promises to be the co-operative spirit. Our first duty is to cease from injustice, individually and as a community; and our second duty is to cultivate this new spirit in ourselves and in others. Let us experiment in co-operation in every possible way and encourage those whom the new spirit impels forward, for no one knows which seed will produce the future tree of life. We may grow gradually into the new order, or some great social crisis may force us into it; but whatever the case may be, the safe progress of society will depend upon those of its members who keep distinctly before their mind's eye three great principles, and who insist upon advancing whither they converge—and these principles are justice, freedom and co-operation.