CHAPTER I

THE LAND OF INEQUALITY

NOTHING can be more surprising to the thoughtful observer than the social inequality existing in the United States — a country which Mr. Bryce says Europeans early in the nineteenth century deemed to be preëminently the land of equality; which inspired De Tocqueville's descriptions and speculations; and which provoked Americans themselves to constant boastings.

Except for the slaves and Indians, there was at the beginning of the Republic full political and approximate social equality. The country was new and unappropriated. Beyond the narrow rim of settlement along the Atlantic seaboard lay the free, virgin and seemingly illimitable West. All who would might come; and coming, could find opportunity to make for themselves and their families an independent, if rugged, living. The American Commonwealth was then in the pioneer stage. Few material privileges existed. Nature, being for the most part unappropriated, offered her milk and honey freely and bountifully to all.

Work was the rule. It was the common means of subsistence, the badge of responsibility and respectability. The printer, Benjamin Franklin, the surveyor, George Washington, the lawyer, Thomas Jefferson, the sailor, John Paul Jones, the merchant, John Hancock, were American types of manhood and practical citizenship. "In America people do not ask, 'What is he?' but 'What can he do?'" wrote Franklin in 1782, while repre-

senting the Republic in Europe. "In short," he continued, "land being cheap in that country, from the vast forests still void of inhabitants, and not likely to be occupied in an age to come, in so much that the property of a hundred acres of fertile soil full of wood may be obtained near the frontiers (in many places, for eight or ten guineas) hearty young laboring men who understand the husbandry of corn and cattle, which is nearly the same in that country as in Europe, may easily establish themselves there. A little money saved of the good wages they receive there while they work for others enables them to buy the land and begin the plantation, in which they are assisted by the good will of their neighbors and some credit. Multitudes of poor people from England, Ireland, Scotland and Germany have by this means in a few years become [relatively] wealthy farmers, who, in their own countries, where all the lands were fully occupied and the wages of labor low, could never have emerged from the poor condition wherein they were born." [1]

The precepts of industry, honesty and thrift of Franklin's "Poor Richard's Almanac" pointed to the almost certain road to competence and respite from toil in old age. And even though this meant living in the pioneer state for many, it did not mean want and suffering. "In every part of North America," wrote Franklin in 1788, while President of the Supreme Council, virtually Governor, of Pennsylvania, "the necessaries of life are cheaper than in England. Scarcity is unknown there. . . . The price of labor in money being higher than in England, and provisions cheaper, the actual wages, that is, the amount of necessary articles which the day laborer can buy, is so much the greater." [2]

[1] "Information to those who would remove to America," Franklin's Writings, Bigelow Edition, Vol. VIII, pp. 175–176.

[2] "Reflections on the Augmentation of Wages which will be occasioned in Europe by the American Revolution," Franklin's Writings, Bigelow Edition, Vol. X, p. 53.

And thus, while the mass of men by their labor could obtain a living that afforded all the necessaries and many of the comforts of life, with independence and self-respect, there were no private fortunes as we speak of private fortunes to-day. "The truth is," said Franklin, "that though there are in that country few people so miserable as the poor of Europe, there are also very few that in Europe would be called very rich; it is rather a happy mediocrity that prevails. There are few great proprietors of the soil and few tenants. Most people cultivate their own lands, or follow some handicraft or merchandise, and few are rich enough to live idly upon their rents and incomes." [1]

John Adams, writing to a friend in Massachusetts at the time of Washington's election as commander-in-chief in 1775, described the latter as "a gentleman of one of the finest fortunes upon the continent." Washington's Virginia plantations, his homestead at Mount Vernon, his slaves, and his lots in the new city of Washington were the chief parts of his possessions, and were worth perhaps half a million dollars. He had, moreover, various tracts of land in other parts of Virginia, and also in Pennsylvania, New York, Kentucky and the Northwest Territory. It is probable that, all told, his estate was at the time of his death worth about three-quarters of a million — a considerable fortune in those days of general equality, but comparatively no fortune at all in these days.

John Hancock was reputed to be the richest man in Massachusetts at the Revolutionary period. His uncle, Thomas Hancock, with whom John was in partnership in a mercantile business, died in 1764, leaving to John, immediately and collaterally, property and enterprises judged to be worth not less than $350,000, one of the largest fortunes acquired in Boston up to that date. John

[1] Franklin's Writings, Bigelow Edition, Vol. VIII, p. 172.

Hancock was then twenty-seven. Like his uncle, he was a money-maker, but against his gains he suffered heavy losses preceding and during the Revolution. It is probable that at his death, in 1793, at the age of fifty-six, he was not much richer than his uncle's will had made him; say, something more than $350,000.

Thus we have two instances of the richest men in the early days of the Republic: George Washington in the South, worth three-quarters of a million; John Hancock in the North, worth a third of a million. Although we should not think of classing them among the wealthy men of our day, there were then but few comparable with them. The standard of what constituted riches was low.

On the other hand, real poverty was casual and nowhere deep or chronic. The reason of this was plain. The easy access to land made it a comparatively simple matter for all men to get subsistence. Because of this accessibleness to good land, wages were high — much higher than in Europe, as Adam Smith in the "Wealth of Nations" points out.[1] Whenever any were dissatisfied with the wages obtained by following trades or in working in any way for others, they could, as Thomas Jefferson said, quit such vocations, take up some land, and "go to laboring the earth" for themselves.[2]

Benjamin Franklin bears the same testimony. In a brief essay written before the Revolution he asserted that, notwithstanding the rapid increase of population both by births and immigration, "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 those new settlers and sets

[1] Book I, Chap. VIII.

[2] Letter to J. Lithgow, Jefferson's Writings, Ford Edition, Vol. III, p. 269, note.

up for himself, etc. Hence labor is not cheaper now in Pennsylvania than it was thirty years ago, though so many thousand laboring men have been imported." [1]

This "importing" of labor, to which Franklin refers, arose from the very high wages demanded for continuous service. Laborers were brought from Europe under indentures binding them to their employers for terms of from one to five years. The exchange of American for European conditions was most advantageous.[2] This practice continued for many years. On the ground of economy and certainty, Washington in 1792 advised the use of this expedient in engaging laborers to work upon the public buildings, grounds and streets of the Federal capital city on the Potomac River which Congress had ordered to be built and to bear his name.[3] Not only were wages and the standard of living among laborers higher in America than in Europe, but there was little poverty and little crime. Such poor as existed were taken care of. "From Savannah [Georgia] to Portsmouth [New Hampshire]," said Jefferson, "you will seldom meet a beggar. In the large towns, indeed, they sometimes present themselves. They are usually foreigners who have never obtained a settlement in any parish. I never yet saw a native Ameri-

[1] "Observations concerning the Increase of Mankind and the Peopling of Countries," Franklin's Writings, Bigelow Edition, Vol. IV, p. 225.

[2] M. Meusnier submitted to Thomas Jefferson proof-sheets of an article on the United States which he proposed to publish in the "Encyclopédie Politique." On the proofs Jefferson wrote some notes, among which he said, June 22, 1786: "Indented servants formed a considerable supply. These were poor Europeans who went to America to settle themselves. . . . So desirous are the poor of Europe to get to America, where they may better their conditions, that, being unable to pay their passage, they will agree to serve two or three years on their arrival there, rather than not go. During the time of that service they are better fed, better clothed, and have lighter labor than while in Europe. Continuing to work for hire for a few years longer, they buy a farm, marry, and enjoy all the sweets of a domestic society of their own." Jefferson's Writings, Ford Edition, Vol. IV, p. 159.

[3] Letter to the Commissioners of the Federal District, Ford's "The Writings of George Washington," Vol. XII, p. 215.

can begging in the streets and highways." [1] And several years later, while Minister to France, Jefferson explained to one of his French friends that in the ten years of his attendance as student and practitioner at the bar of the Supreme Court of Virginia there never was a trial for robbery on the high road, and that he never heard of one in any of the other States, except in the cities of New York and Philadelphia immediately after the departure of the British army, "when some deserters infested those cities for a time." [2]

It is to be admitted that Franklin deplored the "emptying out" of the jails of Europe upon us, for some of the European cities transported their long-term prisoners to America both before and after the Revolution. But many of these prisoners had been political offenders and the large majority of those guilty of other crimes soon buried their past in the habits of industrious and law-abiding citizenship. In this land of promise they commenced new and better lives.

Thus the United States, closely preceding and following their separation from Great Britain, offered freely to all such bounties of nature as to put its inhabitants on independent footing with the rest of the world and on terms of equality among themselves. Few were rich and that few not very rich; few were poor in the sense of being permanently dependent. The country was agricultural, and the production of wealth, although fully abreast of the best processes and methods of the day,[3] was small compared with productive results in our time. But, as appears upon every page of universal history, the happiness and prog-

[1] "Notes on Virginia," Jefferson's Writings, Ford Edition, Vol. III, p. 239.

[2] Letter to M. Clavière, Jefferson's Writings, Ford Edition, Vol. IV, p. 402.

[3] Witness the quick adaptation of the best European methods and the upshooting of invention. Jefferson invented a ploughshare and Franklin numerous useful tools. It was the fashion of the public men to introduce from Europe the best grains, shrubs, fruit trees, and stock.

ress of a people do not depend so much upon the measure of the wealth produced, as upon the fairness and approximate equality of its distribution.

Such distribution marked the United States for half a century after the signing of the Declaration of Independence. Mr. Bryce observes that up to the twenties or thirties "there were no great fortunes in America, few large fortunes and no poverty." [1] Then, speaking of the inequalities which had come to exist at the time of his writing, the latter eighties, he says: "Now there is some poverty, many large fortunes, and a greater number of gigantic fortunes than in any other country of the world. The most remarkable phenomenon of the last twenty-five years has been the appearance not only of those few colossal millionaires who fill the public eye, but of many millionaires of the second order, men with fortunes ranging from $5,000,000 to $15,000,000."

Is not this the common observation? Indeed, do we not reach even stronger conclusions from what is commonly to be seen and realized? There has not been any lessening relatively in the volume of wealth. On the contrary, the march of invention and labor-saving processes which have made the nineteenth century a cycle of wonder in the history of mankind has been most brilliant in the United States. With us there has been an increase in the volume of production far outstripping advancing population.

A distribution of this increase comparable in fairness with that existing in the early days of the Republic would have produced to-day fewer great fortunes and practically no involuntary poverty among men willing and anxious to work; while the mass of population lying between the extremes would now be enjoying in peace and ease most of the material comforts of our civilization.

But there is no such approximate distribution. Instead,

[1] "The American Commonwealth," Part VI, Chap. CV (Vol. II, p. 616).

it is grossly unequal. Manifestly there is an intense and intensifying concentration of wealth. Comparing the returns of the United States Census of 1890 with New York State probate records and Massachusetts State reports, Dr. Charles B. Spahr concludes that at that time one per cent of the families of the United States owned more of the general wealth than did the other ninety-nine per cent. He computes that one-eighth of the families held seven-eighths of the wealth.[1] A careful review of Dr. Spahr's data and methods makes his conclusions seem safe. Unfortunately the data and methods of the twelfth census are different in essential respects from those preceding (frequent and serious faults in our census work), so that it is impossible to institute a comparison. However, the United States Bureau of Statistics computes that the aggregate wealth of the country in 1900 was $90,000,000,000. Presumably this includes the trust inflations. Mr. John Moody estimates[2] that over "440 industrial franchise, transportation and miscellaneous" trust combinations have a total capitalization of more than $20,000,000,000, or two-ninths of the Statistical Bureau's estimate of the country's total wealth. And obviously these 440 or more corporations are controlled by comparatively few persons. It was at one time pointed out that the twenty-four men then on the Board of Directors of the United States Steel Corporation (Steel Trust) directly or indirectly represented one-twelfth of the "total wealth" of the country.[3]

[1] "The Present Distribution of Wealth in the United States," p. 69. Dr. Spahr offers a classification dividing the aggregate wealth of the country, $65,000,000,000, between 12,500,000 families (about 62,500,000 individuals) as follows: 125,000 families, averaging $264,000, and aggregating $33,000,000,000; 1,375,000 families, averaging $16,000, aggregating $23,000,000,000; 5,500,000 families, averaging $1500, aggregating $8,200,000,000; 5,500,000 families, averaging $150, aggregating $800,000,000.

[2] "The Truth about the Trusts," Introductory.

[3] *The World's Work*, December, 1903. The twenty-four men alluded to were: J. P. Morgan, John D. Rockefeller, Henry H. Rogers, Charles M. Schwab, Elbert H. Gary, George C. Perkins, Edmund C. Converse, James

Recognizing this tendency to center in the hands of a small percentage of the nominal owners the full control and practical ownership of the mass of wealth, the late brilliant corporation lawyer and political economist, Mr. Thomas G. Shearman, as early as 1889 declared that "the United States of America is practically owned by less than 250,000 persons." [1] Nor did Mr. Shearman stop there. He ventured to predict that were the concentrating movement to continue at the same rate, "within thirty years . . . the United States of America will be substantially owned by less than 50,000 persons."

Need we inquire further? Is it not clear that, so far from being in respect to the distribution of wealth as Mr. Bryce described, "preëminently the land of equality," this Republic has become palpably a land of inequality? There has been no lessening in the power of producing wealth. On the contrary, nowhere has there been so auspicious an era of invention and labor-saving processes. Production has increased by leaps and bounds. But there has been something grievously at fault with its distribution. It has gone in great part for the enrichment of a few. As if by magic, it has piled up amazing fortunes; as though some possessed lodestones drawing to them a very large portion of the wealth and leaving to others only sufficient to afford subsistence and barely encourage a continuance of production.

The effect of this highly unequal distribution must be manifold and marked. First of all it divides the community into two general classes: the gainers and the losers; into the House of Have and the House of Want. Next it causes broadly a lowering of public and private morals.

Where wealth concentrates, the rich grow intoxicated.

Gayley, Marshall Field, Daniel G. Reid, J. D. Rockefeller, Jr., Alfred Clifford, Robert Bacon, Nathaniel Thayer, Abram S. Hewitt (deceased), Clement A. Griscom, Francis H. Peabody, Charles Steele, William H. Moore, Norman B. Ream, Peter A. B. Widener, James H. Reed, Henry C. Frick, and William Edenborn.

[1] "Who Owns the United States?" in *The Forum*, November, 1889.

They are, as it were, in a land of wonders, where dollars pair and multiply without aid of human thought or touch of human hand. Coins that but a moment before filled a single bag now fill an array of them, such as greeted the eyes of Ali Baba when the words "Open Sesame" disclosed the treasure cave. This sudden flood of riches begets a thirst for more, particularly as their possessors realize that with these riches goes a power to buy — to command — the services of the multitude struggling for subsistence or something better. And so desire augments. Those who have a million would have ten; those who have ten, would have a score, a hundred, millions. They play a game of chance not only for its excitement, but for its gain — a game where winnings come so fast as to supersede the ordinary means of counting. They play with a money-greed upon them. They play even when they know the dice are loaded, if indeed they do not load them.

Yet there is something else behind this passion. Riches are relative. The ten-millionaire would feel poor if reduced to a million, the hundred-millionaire in danger of want if his fortune shrank to ten millions. The measure of what the mind regards as needs is not the same with these men as with the rest of mankind. The standards of living of the two orders of men are no more alike than is the standard of the average American mechanic or factory operative like that of the Chinese coolie or of the East Indian ryot, who can subsist on a handful of rice a day. Great riches bring a high living standard. It is a false and artificial one. It entails much expense. This expense is not necessary to the highest mental and moral and even physical development. It really retards such development. But it is part of the environment of the very rich. As such, it becomes in their minds necessary to their comfort. The rich man fears poverty because poverty to him means sinking below this standard, albeit a standard preposterously exalted and wholly unnatural

and artificial; a standard made for him, and for him only, by his gross riches; which riches, rapidly increasing, lead to new requirements on his part and new fears. He resembles Mademoiselle Louise, daughter of Louis XV., who, when she entered the Order of the Carmelites, had to learn how to walk downstairs by herself. Belonging to the blood royal and accustomed all her life to descend only the grand staircase at Versailles, and then always leaning on the arm of her cavalier-in-waiting, she feared to descend even a small flight of steps without help. "At first," said she, "it seemed to me a dreadful precipice, and I was obliged to sit down on the steps and slide down in that attitude!"

Socially next below lies the middle class, some of whom, driven by envy, strive to imitate the very rich, while others disdain them and their ways. But both those who ape and those who scorn dread falling to the state of those below — to the state of the "work-people." They are ever keyed up against reverse. They are ever alert against what at most times is only a phantom, but which may at any moment condense into a solid, material monster to devour them.

And below all lie the "mudsills of society," as they have been contemptuously called. Some of them may be dazzled by the sudden rise of men from their own rank to huge riches; but the mass of them are too busy fighting against hunger to be allured by the will-o'-the-wisp. Their desire is to obtain the standard required of civilized men. Advancing civilization gives a multiplying power to production, and these men, who so largely are the producers, should in justice obtain a fair share of this gain. Hence they should naturally aspire to and as naturally obtain the means to enjoy a higher standard of living. But while things of which the laborer of a century ago did not dream constitute wants of the laborer of to-day, the struggle to satisfy present wants is relatively far greater for our laborer than the attainment of the earlier standard was for

his ancestor. Laborers now are closely pursued by and frequently feel the claws and the fangs of the wolf of poverty because of an increasing difficulty in attaining the living standard which advancing civilization establishes and which increasing productive power should make natural for him to reach.

And so from different points of view practically all men have come to fear poverty. Fearing poverty, they abandon the old moral principles. Common transactions of life are marked by deception, by downright lying, by stealthy stealing, by organized robbery. Not only do our courts and prisons swarm with petty thieves and swindlers, but our great captains in manufactures, in commerce and in finance resort to all manner of underhandedness. Our politics reek with graft, and even men of highest standing turn positions of public and private trust to personal gain. The citizens of this Republic, who formerly were, on the whole, so generous, upright and independent in all their dealings, now act like men possessed. In common phrase they are "money-mad."

But what is to be done? We often hear that no change can occur until the people return to the old moral precepts of public and private honesty. This means anything or nothing. It is only to say that the people will again become moral when they become moral.

The essence of the matter is that this Republic will revert to the moral order when there is a less unequal distribution of the vast wealth generally produced, when some do not find it possible to pile up huge, mocking private fortunes, and when the general body of the citizens find it easier to get a living commensurate with advancing civilized life. Then the whole population will approach a common living standard — a higher, better, healthier standard than the various standards of to-day, because it will be commonly enjoyed. All the members of society will be more nearly social equals. At any rate, few or none will have to stoop and cringe, since practically all

will be able independently to obtain an easy living. Where none are princes, none will be subjects.

And thus it is not true that there is no way open to correct general morals. What is needed is to correct the thing that corrupts general morals. That thing is the unequal distribution of wealth. Correct that and morals will correct themselves. Let it be possible for all to get the easy living to which the tremendous increase in productive power entitles them, and morality will govern generally in the higher as well as in the common affairs of men.

This confronts us with the cardinal question: What causes the unequal distribution of wealth? Most men today are vaguely asking themselves that question. Can it be answered? If it can, we shall see what produces social disparities. We shall go to the root of individual and national welfare and happiness. We shall go to the very foundations of civilization.