

Justice, Charity and Power

by GLENN E. HOOVER

THE eternal verities do not change from year to year, as do the fashions in automobiles or women's clothes. Nor do the ills of our society result from our failure to find new truths, but rather to our failure to understand and accept the old ones. For this reason, as Justice Holmes once said, it is often more useful to "elaborate the obvious than to elucidate the obscure."

Notions of justice are important in all human relations, but there is time here to comment only on the just distribution of scarce goods and services. You will note that I said "scarce" goods, because, luckily for us, what economists call "free goods," the air for example, are normally so abundant that there are no disputes about the equitable distribution of them. If and when some evil genius develops a feasible way to "fence in" the air we need, we would pay tribute to air lords as we now pay tribute to landlords, but as yet we have been spared that species of extortion.

To reach any valid conclusion about the just distribution of scarce and useful goods, we must begin by noting the origin of them. There is, first of all, the planet on which we live, the product of Nature or of Nature's God. The more desirable parts of our earth are now the property of private persons, although neither they nor any of their predecessors produced it. Nor is the value of these private holdings the product of their past or present

owners, but rather it derives from the population which surrounds them.

That all men should share equally in the free gifts of Nature is a thesis so obviously just that it appeals to all who can give it unbiased consideration. The practical way to respect these equal rights is not to attempt to "divide up" the earth, but to take the annual value of land for public purposes.

Although one can, in the name of justice, ask that the socially created value of land be used for public purposes so that all may share alike, we have no such equal right to the product of labor. Mankind, in all its stages of development, has recognized that he who produces something has a special claim to it which must be respected by others. The same holds true for whatever he acquires by a free exchange on terms accepted by both parties. Difficulties arise however, when a group of men work together at a joint task. What does a worker in a large factory "produce"? He must have added something to the total value of the output, but how much? How can the value of his services be determined, if at all?

It is dangerous to conclude that we have no method for determining the value of a worker's service, because such a conclusion leads logically to a system of equal pay for all workers who contribute to a common task. It is worthy of note, I believe (that the

notion that all workers in a joint enterprise should receive equal pay finds no more favor in the USSR than in the USA. It runs counter to the common sense of mankind, everywhere and at all times.

Fortunately, however, justice does not require that we determine how much of the value of an automobile, for instance, should be attributed to each worker who has helped in the building of it. Justice requires only that each worker shall get a "fair" wage in the market in which he sells his labor. And if the word "fair" is to be more than a "weasel" word, it must mean a price for his labor determined, in the way "fair" prices for all goods and services are determined, i.e., in a free, competitive market.

We are often told that there can never be free, competitive markets, and that if there were, we could have no assurance that the prices determined in them would be just prices. The fact remains, however, that there are no alternatives to free market pricing, other than prices fixed by governments or private monopolies. Where competition is impracticable, as in the public utility field, prices are fixed by governments. With this exception, free peoples insist that goods be priced in free markets, and they may ultimately conclude that the service of workers be priced in the same way.

Charity is a topic more often discussed by clerics than by economists, but it plays an important role in the distribution of our goods and services. The total amount dispensed each year can only be estimated, but if aid to needy foreign countries is added to the aid given our own indigents, the total is very large indeed. However, my chief concern is that the traditional distinction between charity and justice is becoming blurred. We should not juggle the meaning of words to deceive either ourselves or others. If and when we cannot support ourselves we

should take our charity "straight," to use a bartender's term, and not call government assistance a "pension."

Another innovation in the field of governmental charity is that it is now often demanded for whole classes of persons. The farmers, for instance, insist that they are not getting their "fair" share of the national income, and therefore all farmers, rich and poor alike, must be given governmental subsidies of one kind or another. Our protective tariffs are essentially devices which restrict imports and thus compel consumers to give charitable aid to producers. The builders and operators of our merchant marine, unable to compete with foreign companies, also demand—and get—what are essentially charitable payments from the Treasury.

The most recent development is the aid we give to needy, "underdeveloped" countries. Few of them can show that their "need" is the result of wars, natural calamities, or any worsening in the chronic poverty of their peoples. Consciously or otherwise, they measure their "need" by contrasting their poverty with the relative riches of other nations. In this way, the more productive peoples, by increasing their productivity, add to the "need" of the poorer ones, and therefore, presumably, should alleviate it by charitable grants.

Many of us who favored the Marshall plan for war-torn Western Europe cannot agree that we should aid nations simply because they are "underdeveloped" and needy. It seems that such countries should be told that they can have free access to our private capital markets where solvent borrowers can always get loans for projects that are economically sound. We should tell them too that we will tear down our tariff wall, and every other barrier that prevents them from selling in our market anything that they can produce and our consumers wish to buy.

Goods and services may also be distributed in accordance with the economic power of the various parties concerned. As used here, economic power means the ability to interfere with the operations of free markets, either by control of the demand or the supply of a good or service, and whether this is accomplished by the concentration of ownership or by concert and agreement among buyers or sellers.

Monopoly Power

There are certain fields in which monopolies are inevitable. For instance, many of our smaller towns and cities, and some rather large ones are served by but one railroad. Practically all of us have access to but one local transit company, one provider of gas, electricity, telephone service, etc. Firms operating in these fields are not only "natural monopolies," but normally the law designates them as "public utilities," and accords them the exclusive privilege of providing service in the areas in which they operate. They are, however, monopolies without monopoly power because government, either federal or state, fixes the rates they may charge and the types of service they must provide their patrons.

Nor has governmental policy changed in respect of monopolies that are not natural, but are man-made. All monopolies resulting from the agreement, concert and conspiracy of sellers of commodities are forbidden by both federal and state law, and in many cases by provisions in the state constitutions. All of these provisions are commonly called "anti-trust" laws, and there is no governmental policy more firmly established than the prohibition of such monopolies among the sellers of commodities.

When unionists first undertook to fix a monopoly price for their services the courts held such agreements to be as illegal as were similar agreements

among the sellers of goods. But as the political strength of the unions increased, they were held to be exempt from the general rule forbidding monopolies. In many sectors of our economy their power to fix the wage rates they will accept are now unlimited. They cannot always get what they want, but unless the employer's final offer is accepted, he has no alternative but to close his plants. In our major industries employers no longer try to operate with non-union crews.

The abilities to force the closing, not only of particular firms, but of entire industries, is one of the most significant developments in the economies of the Western World. Until recently, power on the grand scale was exercised only by governments. Little wonder that both our government and our citizens are baffled by this power, and totally unprepared for dealing with it.

The Liberals and the Unions

It is, however, the confusion of those who are vaguely described as "Liberals" that is my chief concern. They have consistently opposed monopolies in all their traditional forms, and while weak unions were struggling for survival and recognition, their sympathies were with the workers. They now find that their friends in the trade unions are equipped with unprecedented monopoly power. To oppose such power in the hands of industrial tycoons and merchant princes is one thing, but what are they to do when they find such power in the hands of their traditional friends?

The confusion of the liberals is largely due to their misunderstanding of the way in which modern labor markets function. They sometimes assume that, in the absence of union power, an employer could arbitrarily set his wage rates, however low, and still get all the workers he wanted.

At other times they make the equally false assumption that, in free markets, each worker's wage would be fixed by individual "bargaining."

If the liberals want to know how wages are actually determined in the absence of union power, they have but to look about them. Only about one-fourth of those gainfully employed belong to unions, and the other three-fourths have their wages determined in free markets. For those liberals who prefer to read, rather than observe, the history of our economy prior to the "bargaining" era will be equally illuminating. We are often reminded of the "low" wages paid in those bad, old days when unions were few and weak. But what really needs to be explained is why our wages were then so high that they attracted workers from every part of the world.

Surely they would not have us believe that the relatively high wages paid to unorganized American workers, past or present, has been due to the compassion of our employers. On the contrary, they undoubtedly paid as little as they could, but competition among employers compelled them to pay approximately what the services

of the marginal workers were worth. The workers produced more, and were paid more, and this in the absence of any union power whatever.

Thus far American liberals have limited themselves to condemning the corruption of various union officials and the undemocratic way in which some unions conduct their internal affairs. One suspects that our legislators and the public have concentrated on the minor defects of our unions in order to postpone consideration of a power so great that few will consider it and fewer still will challenge it.

The program for dealing with union power should be formulated by men and women of good will. If I offer no solution, it is not from excessive timidity. It is rather that I believe that I should disqualify myself because of my fear of power and my aversion for it. I am distrustful of power, even governmental power, and my dislike of power in the hands of private persons borders on the fanatical. Whether or not the private power of unionists, or anyone else, can be allowed unlimited scope in a free society, is a question that cannot with safety be indefinitely postponed.

Glenn Hoover is professor emeritus of economics and sociology of Mills College in California. He is a City Councilman in Oakland, where he lives, and is president of the East Bay Extension of the Henry George School, comprising Berkeley, Oakland and surrounding cities. The foregoing is an abbreviated version of his address at the Annual Conference of the Henry George School in San Diego in July.



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