

CHAPTER XIII

THE WAY TO FREEDOM

"We stand in the presence of a revolution,—not a bloody revolution; America is not given to the spilling of blood,—but a silent revolution, whereby America will insist upon recovering in practice those ideals which she has always professed, upon securing a government devoted to the general interest and not to special interests."—WOODROW WILSON, *The New Freedom*. Chap. I, p. 30.

THE future of the Commonwealth is at stake, and the question uppermost in the minds of serious thinkers and earnest business men is what can be done to satisfy the demands of the discontented. They say they have given a fuller pay envelope, shorter hours, pensions, sick benefits, etc., and the workers are not satisfied. They say the more we give the more they want. Of course. Must not that condition follow the method of "giving"? The rise in rent and the cost of commodities and transportation must surely eat up every rise in nominal wage. Can it be otherwise under the present economic and fiscal system? What else then can be done in the way of attempting to satisfy the workers? Well, many are now trying bonus systems, profit-sharing, and co-partnership schemes. And what success will they have? None. They may allay the fever of unrest for a while, but that is all. For the economic

[165]

and fiscal systems remain. Nothing will have been done to check the rise in rent and the cost of commodities and transportation. Anyway one has only to glance at the condition of Britain to find a very definite hint thrown out to those who imagine such "sympathetic schemes," as bonus, profit-sharing, co-partnership systems in industry, will be permanently effective. Here is an excerpt from the speech of Mr. J. H. Thomas, M.P., general secretary of the National Union of Railway Men, delivered before the great conference of representatives of labour and capital held recently in London:

"The organized workers of Great Britain have made up their minds to obtain for themselves an increasing share of the wealth which their labour has produced and produces. The workers of the threefold organization are determined to shorten materially the hours of labour in their respective industries. They are dissatisfied with the system of society which treats their labour power as a mere commodity to be bought, sold and used as though they were machine-like units in the process of wealth, production and distribution, and they, therefore, demand that they shall become real partners in industry, jointly sharing in determining working conditions and management. Labour has become increasingly alive to its sovereign power and will shirk no responsibilities and will be denied none of its rights and privileges. The miners, railway men and transport workers stand unalterably for the ownership by the state of the mines and railways and the means of inland and coastal transport. . . . The workers have resolutely set their faces toward some order of society which will improve their lives and conditions in accord with the new valuation they have set upon themselves. No longer are they prepared to content themselves with every wage advance being thrust upon the consumer, and consequently cancelling every improvement instantly and automatically. Rent, interest and profits are not inviolate. Statesmen of every party must make up their minds that there is going to be a drastic change. Wise men will allow and provide for it. Others

[166]

will be convinced only by the compelling power of events. In every country we see the workers seeking changes. We in this country may be able to see these changes brought about peacefully and orderly. The present discontent is not the work of agitators. It is the product of age-long experience accelerated by the developments of the war. We, therefore, ask the government to use its influence in the direction indicated. The organized working people want redress for their manifold grievances, and, moreover, they want something like immediate redress."

That is the condition there after decades of "sympathetic schemes." Now Mr. Thomas is no rampant agitator. He is a particularly intelligent industrialist of the finest British type. He not only knows the conditions of labour, he knows the attitude of mind of British landlords and capitalists. He knows what has been tried, and he knows thoroughly well that all expedients have failed. It must not, however, be imagined that he spoke for himself. The speech was the statement of the demands of the triple alliance — the miners, transport and railway men. Still, whether for himself he would ask all the speech demands, he surely hit the nail squarely on the head when he pointed out the futility of raising nominal wage. He said: "No longer are they prepared to content themselves with every wage advance being thrust upon the consumer, and consequently cancelling every improvement instantly and automatically." Here we are forcibly reminded of the fact that the producer is a consumer, and that under this system each benefit given to the producer is wrested from the consumer. It is only another way of playing the game of the protectionist, which in the end results in the stupid business of robbing the consumer, Peter, to pay the producer, Paul. But in Britain no trade union would think of voting

[167]

for protection. The lesson of protection, however, is not yet learned by the American working man; nor is it really known to the American manufacturer. Results count with the latter and nominal wage with the former. Results have certainly been magnificent, while nominal wage has purchased less and less. But the time is come when the consumer's voice is heard above that of the producer. It was easier to live in New York on twelve dollars a week in the '80s than on twenty-five now. Then there was more and better food, clothing, and fuel, and rent was certainly far lower. What then has been accomplished for the general good by all the protection? Look where you may, the results have benefited only a comparatively small number of families. Has the revenue collected at the ports been sufficient to pay the salary of the officials and clerks in some of the departments? Scarcely. Income tax and other direct taxes on wealth prove how utterly inadequate are the indirect taxes.

The elder Pitt declared, in the House of Lords, that the proposal to raise the Income-Tax to 7d. in the pound would cause a revolution. "But," he added, "you can get the money by an easier method. By the method of indirect taxation, you can tax the last rag off a man's back, the last mouthful of food from his mouth, and he won't know what is injuring him; he may grumble about hard times, but he will not know that the hard times have been produced by taxation." That was the way Pitt went to work. Nowadays there is no fear of revolution in the ranks of big income tax payers. The position is reversed. It is the indirect tax payers who are now in revolt. And now that American protectionists have enjoyed Pitt's methods for a generation or two, the revenue

[168]

returns show how absurd it is for us to tolerate the system for another session. Yet the leaders of one of the historic parties are committed to protection, and look forward to the day when they will have the power to increase the present tariff. The leaders of the other historic party favour a tariff for revenue purposes only while they cry out for billions in tax and billions in loans. And no one seems to understand that all taxes on wealth can be shifted; no one seems to be aware that, with all the super-taxes, profit taxes, excess profit taxes, the rich are not really less rich. Do our tax masters imagine that the billions collected have increased the welfare of the millions of workers? Or is it too much to expect Treasury officials to heed the economic incidence of fiscal measures?

Mr. Scott Nearing tells us there are 67 people in the United States who make an income tax return of over \$2,000,000 a year each. The gross income of the 67 amounts to \$292,845,112. This shocks him, and he calls the recipients "parasites." But what would he do? Suppose the limit of confiscation were practised by the Government, and the 67 were exploited to the last cent, who would benefit? He says, "the 67 did not produce more than the tiniest fraction of the vast income they received." Suppose that were true, what would Mr. Scott Nearing suggest as a sure method of ascertaining what they did produce? Does he know of any sure way of determining an economic classification of the proceeds of the 67? The Treasury return shows, according to his figures in the *New York Call*, that besides their salaries 6 millions come from rents, 21 millions from interest, 84 millions from profits, and 178 millions from dividends. The usual bu-

[169]

reaucratic classification which reveals anything and everything superficial, and hides the vital matter of monopoly value! But why complain so much about 67 persons enjoying comparatively little from interest and dividends, when so many of his friends would in nationalizing land, mines, oil, railroads and canals, on a purchase basis, create a vast interest receiving class? Indeed Socialism may very easily begin its career by making the bond-holders more secure than they are at present. Surely there can be no satisfaction for sentimentalists in merely increasing the number of recipients of interest. That will not alter the economic system. The "poor widow on the back street" will get less perhaps than she gets today. We must, of course, think of the poor widow, but not get sentimental about her. She has never grown fat on sentiment. It is hard practical common sense that she wants. And I am sure she, of all the poor, would heartily agree that sentiment is the only enemy of the ideal.

Mr. Scott Nearing evidently disapproves of the gross inequalities of wealth distribution. But the treasury returns, though they too indicate the inequalities, are as silent as he as to the cause. Now the cause is not far to seek. Though monopoly value is not now of Federal tax concern, it is most assuredly one which directly concerns each state and directly affects each municipality. The tax is everywhere low and under-valuation is notorious. Compare the way the Federal Treasury goes to work to ascertain the sources and amounts of income, the quantities and values of dutiable imports, and the burden of tax they impose, with the way the State and municipal treasury officials ascertain monopoly values and tax them; then ask why in the latter case

[170]

leniency should as a rule be extended, and in the former the strictest severity shown? It would seem, fiscal authorities imagine that nothing is worth taxing for revenue purposes but income. And has the Government no other fiscal duty to regard seriously but that of collecting some revenue? Is that all? Has not the Government a far more important fiscal duty to perform: that of collecting revenue from a source which does not reduce purchasing power, but which stimulates production, and makes for a more equitable distribution of wealth? Taxes on the full monopoly value of land will not reduce purchasing power, and they may be imposed in lieu of taxes on wealth which do have that effect. Taxes on the full monopoly value of land must stimulate production, for land not used, and land under-used, will be forced by the tax into use. This will alter the whole system of production by bringing landlords into competition with one another to find land-users. A tax on the monopoly value of land cannot be shifted, for the tax will force rent down. Competition, therefore, beginning at the source of production must beneficially affect the labourer, raise his wage, lower the cost of commodities, and remove the irregularities in the distribution of wealth. And this system of taxation will very soon reveal what is rent, what is wages, and what is interest. It will simplify the classifications, and relieve the Government of the enormous cost of an army of officials at the ports and in the cities and the towns. This would be a very practical way of getting rid of any number of "parasites." Certainly droves of political "parasites" would be forced into the producing class. The scheme ought to have the attention of Mr. Scott Nearing, for he must be quite impartial in his

dislike of "parasites." Moreover, the fiscal system which will rid us of the one political set will rid us of the other. Will something be done? Or must we wait until the Governors and Mayors assisted by the Department of Labour have dealt with the mighty problem of "Bolshevism"? Must we who are deeply concerned in the future of the Commonwealth see the policy of the Norths, the Pitts, the Castle-reaghs, and the Jeffreys undermine the last stone in the foundation of America? Is not that what it all amounts to — this business of governing by conclave? But where are the defenders of natural rights? What action at this time are Mr. Root, Mr. Butler, and Mr. Hill taking to defend the principles they admire in Spencer? Who besides Mr. Schwab demands true democracy and a return to economic principles? It is really an amazing state of affairs when America of all countries in the world seems bent on pursuing a negative policy at a time like this. We ought to know what that policy has done for Europe.

Now natural rights must be restored if we are not to share Europe's fate. It is the only positive reply to be made to all who favour compulsion — Socialists and Tories alike. By restoring natural rights we shall reset the old foundations and rebuild the best of our institutions, so that America may again open her gates to all who love liberty.