

CHAPTER VI.

OF THE ESTABLISHED ORDER.

Wooley Foster has a hen,
Cockle button, cockle ben;
She lays eggs for gentlemen—
But none for Wooley Foster.

Mother Goose Melodies.

When Adam delved and Eve span,
Who was then the gentleman?

Popular couplet, fourteenth century.

Judged by the economic imperative, the existing economic system is condemned upon every hand. It grants and fosters many monopolies, and thus creates and maintains monopoly values; it fails to socialize either ground values or public utility franchise values, leaving them almost wholly in private hands to the upbuilding of great private fortunes, economically unearned by the individual holders; it fails to individualize either labor values or capital values, since nearly all of the revenues of the State are drawn therefrom; and it neither permits nor protects full coöperation in industry, nor free competition in exchange.

In the established order the normal economic margin is unknown. Land-form after land-form is held out of use, or is not put to its best use, and by these means the rent line is forced down until it lies far below the normal margin. The marginal pairs that determine prices in all

branches of industry and trade are men who produce upon margins artificially depressed so that market price is not the true index, as it should be, of normal economic conditions. In industries not in themselves the beneficiaries of some monopoly, e. g., the business of the working farmer, the market price is forced abnormally low, both because the marginal buyer produces upon a low plane and is poor, and because the marginal seller also produces upon a low plane and can not stand out for a higher price.

In industries which are the beneficiaries of one or more monopolies, simple, complex or compound, the seller is made abnormally independent of the laws of the market and can ignore the normal price; while the buyer, who is usually engaged in an industry not favored by any monopoly, is helpless to stand out for the normal price, and must pay what is asked, or do without what he desires. The only thing which induces the monopolist to concede anything in the matter of price within the range of his control is the fact that he may gain more by increased sales at a decreased net value on each sale. But even then the price which he consents to take is abnormal. It is not determined by a normally marginal pair, but by the self-interest of the monopolist himself.

From the arbitrary lowering of the economic margin upon the one hand and the existence of industrial and trade monopolies upon the other, it necessarily follows that all prices in present conditions are abnormal. They are too low in industries not favored by monopolies or franchises, and too high in those industries which are so favored. And yet the working farmer, who is peculiarly

the victim of both these abnormal conditions, is depended upon by its beneficiaries as the most loyal defender of the established order. The farmer does not see that by the artificial depression of the economic margin he is forced to pay much more than the normal price when he buys a farm, and much more than the normal rent when he tills a farm as a tenant. Nor does he see that as a seller of products he has no monopoly whatever, but must compete with all others of his class in the markets of the world; while the price of practically everything which he buys is affected by some form of differential privilege.

Every wage earner, every man in any vocation whatever who is dependent upon toil, physical or mental, for a livelihood is affected in the same manner as the working farmer by the artificial depression of the margin and the existence of monopolies. The abnormal depression of the margin forces him to pay a greatly increased price for a home, if he is fortunate enough to be able to purchase one, or to pay a greatly increased rent, if he can not or does not buy. He must either invest what to him is a small fortune in a home, or he must continually pay tribute to a landlord in ground rent. For so far as ground rent paid to a private owner in present conditions is concerned it is nothing more nor less than the payment by one man to another no better than himself of tribute for the mere privilege of living upon the earth. If the rent payer stays upon the earth at all, he must stay in some particular place at any given time. And unless he betakes himself to the desert or lives among savages, he can not find a place anywhere where he can even pitch a tent without the consent

of a fellow creature. In a state of savagery he might meet a fellowman, armed with a club, who would dispute with him the right to occupy a particular land-form unless he gave up half his average income from the chase for the privilege. In a state of civilization he meets a fellowman, armed with a statute, who makes of him a similar demand with regard to his income every year, and he is obliged to succumb. Verily, our boasted civilization in some respects is simply a refinement of savagery.

When the wage earner buys either the necessaries or the luxuries of life he usually pays tribute to a monopolist. In this respect he is no better off than the working farmer. If of nothing else, he, like the farmer, is the victim of a so-called protective tariff which fixes the price of all protected articles above the price which, in normal conditions, would be fixed by the marginal pair. When the wage earner seeks employment he must compete in price with men who are willing to accept in the service of others just what they could earn by self-employment upon an abnormally depressed and unproductive margin.

The necessities of the marginal laborer are of greater importance in the fixing of wages than is the parsimony of the employer. For however much an employer may harden his heart and attempt to oppress his employes, it is only the necessities of the latter, or of some other workmen below them who can be induced to take their places, that give to the employer an opportunity to manifest and satisfy his selfish greed. It is this fact which leads the members of a labor union not only to antagonize every interest of an employer while they are upon a strike, but to look

upon one of their own class who refuses to strike or who takes the place of a striker—a “scab” workingman—with infinite scorn and contempt, and oftentimes with unrelenting hate. If wage earners as a class are permanently to better their condition, they must bring about the restoration of the normal economic margin upon the one hand, and the destruction of monopoly upon the other. By united action they can do this, and the more readily, if the working farmers and all other men engaged in business enterprises not specially favored by the State should join them.

Every man engaged in a business enterprise, great or small, which is not specially favored by some form of differential privilege is injuriously affected as a business man both by the abnormal depression of the economic margin and by the existence of differential privileges in the hands of others. If a business man is so fortunate as to own the land-forms upon which his business is conducted, he is compelled in purchasing them to pay much more than their normal price, and to keep invested in them a large sum for which there is no current return, and which detracts by just so much from his investment in the business proper. If he is a tenant, his ground rent is all that he can bear and constantly tends to exhaust the earnings of his business. On the other hand, a monopoly in the hands of a competitor means a relative loss to him and may encompass his ruin; while as a consumer he is subjected to all the evils which befall the farmer and the artisan from the existence of different forms of monopoly in the hands of those from whom he must buy. All of the

laws of the normal market are based upon the existence of a normal economic margin and of a normal marginal pair. The established order makes the existence of both of these impossible, and nothing short of the complete alteration of the *status quo* in so far as it interferes with these prime requisites of economic conditions can cure the evils of which the masses complain, but which they do not fully understand.

Standard Political Economy, as the exponent of the established order, originally held that the value of anything is determined by the cost of its production. It requires only a casual view of this theory to disclose the fact that it is not universally true. Many things are put upon the market and sold at less than the cost of production. To make the theory cover numerous exceptions of this kind it was next held that it is not the cost of the original production of any thing which determines its value, but the cost of its reproduction (or rather, the cost of its duplication) at the present time. But neither the cost-of-production theory nor the cost-of-reproduction theory of value applies to land values, since land-forms are neither produced nor reproduced by the hand of man.

There is another aspect, moreover, in which the theories of standard political economists concerning value fail to conform to the most obvious facts of the market. If the value of an article is determined by either the cost of its production or the cost of present reproduction, it must necessarily follow that the value of a composite article is at least equal to the sum of the costs of its various component parts. But this is not always true. It is not the

cost, as exhibited in market price, of the labor and materials which enter into a finished product which determines the price at which it may be sold. This price is fixed by those persons who constitute the marginal pair with reference to this particular article, and especially by the marginal buyer, who may neither know nor care any thing whatever about the cost of the constituent parts. On the contrary, it is the price of the finished article as determined by the marginal pair which determines the prices at which the component parts must be sold in order to leave a net value to the producer of the completed article, and so to assure its continued production. For unless the necessary parts can be purchased at certain prices the manufacture of the finished article must cease.

Suppose, now, that in the case of a composite article for which there is a sufficient demand to justify its continued production in normal conditions, there falls into the hands of one person, firm or corporation, a monopoly as to the manufacture or sale of one of the parts or processes necessary to produce such article. Then the possessor of such a monopoly can arbitrarily determine whether or not the composite article shall further be produced at all. He can despoil the hitherto successful producer to the last cent which can be spared not only of the net value from that part of the product upon which the monopoly is held, but from the entire business, since the monopolist may at any time stop the supply of a necessary factor. In case the monopolist should resort to this extremity, he not only would ruin the business of the manufacturer of this particular article, but he would deprive the sellers of all the

other constituent parts of such article of a customer upon whom, in normal conditions, they could safely rely. Thus the evil effects of monopoly do not fall upon consumers alone, but upon producers also, and such effects tend to spread in an ever widening circle throughout the entire field of industry and exchange.

It must be remembered that the power of the monopolist over production is not confined to his relations with one manufacturer but with many. Each producer whom he despoils of normal net values is unable by just so much to extend his business, and so to extend the market for the labor-power and products of others. One evil effect propagates another until, as in present conditions, the power of business success or failure is held by one man over many men just as certainly and with nearly as disastrous results as the power of life and death was held by the nobility of ancient times over their chattel slaves. The evil effects of the established order we see and feel day by day. The causes of such conditions are obscured by the teachings of standard Political Economy, based as it is upon a partially false and wholly inadequate theory of value.

The established order recognizes, in a limited way, the beneficence of the market; but not sufficiently to make the market absolutely free. It recognizes, in a limited way, the great truth of Economics that all men seek to satisfy their desires with the least exertion; but at the same time it puts it in the power of some men to interfere with the exertion by other men of labor-power along the lines of least resistance; it raises its revenues in such manner as seriously and unnecessarily to interfere with the laws of

the normal market; and it allows some men to appropriate, own and control all of the desirable land-forms which other men must use in order to satisfy their desires at all.

The established order fails to realize the beneficence of the market in bringing about the socialization of utility. The social gain resulting from the fact that in a general market, open to free competition, all consumers are enabled to satisfy their desires at the price fixed by the marginal pair is ignored by standard Political Economy. In the discussions of this cult, net salvage is also practically ignored. Net value is the one desideratum—therefore, get net value. This is its teaching. It does not discriminate as to the origin of values. The personal appropriation of a value created by labor-power has no higher sanction in its teachings than the personal appropriation of a value which attaches to a vacant land-form merely because of the growth and productive activity of the community as a whole and entirely irrespective of any effort or expenditure, past or present, of the man who claims such value as his own.

In the field of finance, the practices of the established order are not in harmony with the demands of the economic imperative. In present conditions we have a standard of value which recognizes and reflects but one of the three elemental units of disutility. The disutilities of space and time are practically ignored. Accompanying this defective standard of value we have a medium of exchange based upon a barter metal instead of upon governmental credit-forms. The paper money issued by the national government consists of current debit-forms re-

deemable in the gold of barbaric barter instead of current credit-forms redeemable in the payment of the taxes of civilized society.

In the matter of taxation the established order violates all the requirements not only of the economic imperative, but also of the true canon of taxation. In present conditions taxes are levied in every conceivable way upon all conceivable kinds of property and property values, and even upon men themselves. The capitation, or poll, tax is an arbitrary tax upon men at so much a head, rich or poor, strong or feeble, young or old, after reaching man's estate. Such a tax is always unpopular and in many places has passed from use.

The revenue of our national government is largely derived from tariff duties levied upon imports. Such a system of revenue creates monopoly values; it interferes with the beneficent functions of the normally marginal pairs; it wrongfully permits the individualization of the natural revenues of the State, viz., ground values and the values of public utilities; it wrongfully socializes those values which should be wholly left to individuals, viz., labor values and capital values, for all tariffs are levied upon these alone; it hampers the majority of those engaged in industry and hinders free competition in exchange.

The tariff system as a means of raising revenue does not conform to any recognized canon of taxation. It does not purport to tax men according to their ability, whether this be ability to produce or ability to pay; it does not tax men in proportion to the revenues respectively enjoyed by them under the protection of the State, as Adam Smith

in his canon said, nor according to the benefits respectively enjoyed by them under the protection of the State, as he doubtless meant; and it goes without saying that the tariff system is contrary to every element of the true canon of taxation as we have stated it heretofore.

It is doubtful if a tariff system could long survive in any enlightened country were it not for the fact that it is reinforced by the doctrine of so-called protection to home industry. This doctrine, like the tariff system which it supports, has no economic basis whatever. Like the tariff, it violates every condition of the economic imperative, and conforms to no canon of taxation. It is simply an appeal to selfishness. To the few its selfish appeal is true; to the many it is false. A protective tariff has its beneficiaries; it is a differential privilege by virtue of which some men acquire and retain differential net values through the shutting out, in their particular businesses, of normal competition. These men are truly protected, if a differential privilege may be called protection.

The laboring man, it is said, is protected from the pauper labor of Europe. Yet wages in America are constantly tending to the European standard. If the American laborer would successfully combat this tendency and improve his condition, let him seek protection from laws which give differential privileges to some of his fellow countrymen, and not allow himself to be deluded with the idea that he needs protection from other laborers much worse off than himself and 3,000 miles away. After all it is better to compete with the products of foreign laborers and allow the laborers themselves to remain in Europe,

than to force them to come to America and, with their low standard of living, to compete with the American laborer upon his own ground. Selfishness may easily overreach itself.

The selfishness involved in the protective system has also a national aspect. It has long been thought that in order for one nation to become rich other nations must become poor. This sentiment has often been expressed, and is often followed, but never with success. For twenty years Cato, the censor, after speaking to the Roman senate upon any subject, did not resume his seat without saying, "It is my opinion, fathers, that Carthage must be destroyed!" And in the destruction of Carthage as a competitor began the economic downfall of Rome. Free from commercial competition she no longer depended upon the laws of industry and trade for her sustenance, but became a plunderer of nations, and so was lost to herself and to the world.

As with Rome, so with all other nations which seek to prosper at the expense of competing nations by the elimination either of the nations themselves or of competition with them to their detriment. It is an inexorable law of the physical world that action and reaction are equal and opposite in direction, and the same is true in the world of industry and exchange. Any limitation placed by one nation upon trade to the detriment of another must necessarily react upon itself to the same degree. In our study of the market we found that in a fair exchange both buyer and seller may gain, and that in normal conditions a gain either in net salvage or in net value inures

to them both. In international trade the same principle applies, and all trade restrictions are as much to be deplored between nations as between individuals. The doctrines of the standard economists concerning favorable and unfavorable balances between nations are economically without foundation. A nation which imports more than it exports is not injured by its foreign trade, but is benefited by it. Any attempt upon its part to limit its importations by tariff laws or otherwise will certainly react upon itself. In building a nation the economic law of gravity can not be violated or ignored any more than can the law of gravity of the physical world in building a tower. The doctrines of so-called favorable and unfavorable balances of trade are based upon the erroneous theory of the omnisocialists that in every exchange what one party gains another must necessarily lose.

In the last analysis there are but two classes of things which may be taxed: labor-power and its products (including capital-forms) upon the one hand, and land-forms with their natural opportunities, upon the other. Under a system of private ownership of property such as the established order maintains, a tax upon the former class of things is a direct tax upon labor-power; upon the latter class, it is a tax upon privilege. In present conditions, nearly all taxes fall directly or indirectly upon labor-power.

The established order is based ostensibly upon the competitive system, and in former times competition had relatively free play. Men then expended their energies in

cheapening production so as to undersell their competitors, and in the play and interplay of economic forces the general public was provided with satisfactors substantially at their marginal cost. There was a large socialization of utility. But in present conditions, the effort is not so much to undersell the competitor as to eliminate him and his wares from the market. What is sought is not simply a cheaper process of production, but a differential privilege which, in spite of the cheaper process, will allow the maintenance of the former price and even an increase of price. Those who are able to acquire differential privileges in the form of monopolies or franchises, or both, are freed from competition, or at least from its full force, while those who have no such privileges are driven to a more desperate strife among themselves, the result being in many cases literally a life and death struggle. But let it be borne in mind that such conditions are not the fruits of competition, but of the lack of competition engendered by differential privileges granted to some persons by the State and enjoyed by them at the expense of their business competitors and of the general public, under the sanction of the law.

From an economic point of view the established order is an incongruous mixture. Its laws purposely interfere with the natural laws of the market; with reference to the institution of property, its governmentalism is so inequitable that it incites anarchy; while its individualism is so indefinite and its socialism so sporadic that its lawmakers are without economic guidance, and its statesmen

without economic conceptions beyond the maintenance of the *status quo*.

The **Established Order** is that incongruous admixture of indefinite individualism and sporadic socialism which seeks substantially to maintain the *status quo* with reference to the institution of property.