

CHAPTER XV.

OF SOCIAL DISUTILITIES.

Man's inhumanity to man
Makes countless thousands mourn.

Robert Burns.

The present wretched social arrangements are the only hindrances to the attainment by almost all of an existence made up of a few and transitory pains and many and various pleasures.

John Stuart Mill.

In the early part of our investigation we found that men seek to satisfy their desires with the least exertion; that the problem of production is to devise ways and means by which all labor-forms may be reduced, as nearly as possible, to spontaneities. Economics gives no countenance to any theory which involves the idea that a given project is to be commended because it "makes work" for the people. In normal conditions all men may find plenty of work. The legitimate question of economic production is not how to make as much work as possible, but how to get the greatest results from a given expenditure of effort.

To the satisfaction of man's desires through the exertion of labor-power nature interposes but three physical disutilities. The external world presents to him material substances suited to his needs, but seldom in the form of spontaneities. The matter which he proposes to put

to use must first be changed in form; or it must be removed to another place; or a certain time must elapse before it can be utilized. Usually all of these elements are involved, though one or the other distinctively preponderates. These natural checks upon enjoyment which would otherwise be spontaneous we have called, respectively, the disutilities of matter, space and time.

The distinctive problem of industry lies in overcoming the disutility of matter. By mastering the laws of matter and force—two phases of the same thing, although apparently opposite in character—men may not only avoid many of the resistances of the physical world, but may even turn destructive forms and forces into beneficent agencies of production.

The distinctive problem of exchange is to overcome, as nearly as possible, the disutilities of space and time. From an economic point of view the problem of industry is comparatively simple. It involves chiefly the laws and processes of the physical world. But exchange is more extensive in its scope and more complex in its details. It directly involves the question of interest, a question which, in the absence of the market, would never appear at all. It first brings into existence and then forces into the highest prominence the phenomenon of ground rent.

As soon as men begin to coöperate in industry and to compete in exchange the disutilities of matter, space and time begin to assume a social aspect. In normal conditions one man ceases to produce upon his own account, and enters the employment of another. The question of his compensation at once arises. He naturally asks as

much as he could obtain by self-employment, and need accept no less. The question of wages emerges, but at this stage it is simplicity itself.

Soon one man loans certain labor-forms to another engaged in industry and thus enables the latter to overcome the disutility of time by eliminating the necessity of waiting for results in some process of production. Economic interest here emerges. Finally two men want to occupy the same land-form at the same time, and the disutility of space forbids. One of them gets possession and is powerful enough to retain it. The other offers him a price temporarily to surrender his advantage. Thus ground rent emerges.

In all of these instances it will be noted that while the several disutilities have assumed a social aspect they are, at bottom, disutilities of nature. They are not of man's making. The association of men in production has occasioned the manifestation of wages, ground rent and interest, but has not primarily caused the disutilities of matter, space and time.

When government has been instituted among men the State, by means of its institutions, laws and customs, may affect disutilities in three different ways. It may bring all men into such economic relations with one another and with their physical environment as to lessen all physical disutilities to all the people; or it may favor some men at the expense of others so that the disutilities of nature will be lessened as to the former and increased as to the latter; or it may create new disutilities by putting upon a part or all of the people burdens of which nature itself

is innocent. We shall discuss these attitudes of government toward people and property in inverse order.

A man is born into the world, and in his infancy is not distinguishable from a thousand others. His parents may be people of riches, of ordinary comfort, or of poverty; of culture, of common education, or of ignorance. He grows to manhood in association with his fellows having, in common with them, the heritage of all the history, the achievements and the progress of the race. He is educated in the public schools. In his mature years he invents a machine or a process which greatly diminishes the disutility of performing a certain task. In ordinary circumstances his invention would at once become common property, and all might equally benefit thereby. Nature says to this man that by his invention he has simply interpreted aright a natural law—a law which he did not create and which he is powerless to change. The accumulated wisdom and progress of centuries has enabled him to do this. His immediate environment led him to concentrate his thought upon it. In the desert of Sahara or the wilds of Siberia his feat would have been impossible. Having inherited from all the past, he, in his turn, is enabled to add to the legacy of the race.

In normal conditions all men would be free to adopt this invention and thus obey the economic law of gravity by which they are impelled to satisfy their desires with the least exertion. But the State interposes an artificial disutility. It grants to this inventor a patent, by virtue of which he can prevent his generation from using this improvement in production at all unless he chooses to

put it upon the market. If he puts it upon the market, he or his assigns—usually the latter—are enabled to erect and maintain an artificial barrier between the people and the greatest satisfaction of their desires.

In justification of this arbitrary action of the State, it is claimed that patent laws are necessary to encourage invention. There is nothing to support this contention. Inventors are born, not brought into existence by bribery. A real inventor needs no more incentive to bring forth the child of his brain than to propagate his race.

But even if this claim were true, the existing patent laws are wholly unjustifiable. If the present generation is indebted to one of their number for giving concrete expression to a new thought, let the generation as a whole pay him a bounty, having some relation to the benefit which he confers. Or, let it fix upon a royalty which any one may pay or secure to the inventor, and then manufacture or use the patented article or process to his heart's content. By the existing laws the State gives to the inventor letters of marque and reprisal against the industry and commerce of its own citizens. This is indefensible as a matter of politics as well as of economics. A patent right is an artificial disutility created by the State, and under bisocialism it would be destroyed entirely, or it would be socialized; it would not be allowed to interfere with the productive enterprise of any individual in an arbitrary manner.

Another form of the same kind of artificial disutility created by the State is manifested in the law of copyright. No book of merit was ever written under the inspiration

of a copyright, nor ever will be. If the State is to make a discrimination in favor of authors, let it do so in the form of socialism. If their work is distinctively a common benefit, let the disutility of maintaining this benefit be socialized like the cost of maintaining the public schools. Let us have systemic socialism—not sporadic socialism here, and the worst form of economic privateering there, in regard to matters of the same economic import.

Patents and copyrights do not constitute the only forms of social disutility, nor the worst. A man near the political boundary of the State creates a labor-form or raises a crop and can get the greatest satisfaction of desire by exchanging his product for that of another producer across the border. But the State says, Nay! It erects between these two men a legal barrier which separates them as effectually as would a chain of mountains. The economic law of gravity bids them exchange their products. If they obey its dictates, they are arrested and brought into the courts of their respective countries. Economics says to them, as they stand at the bar: "Well done, thou good and faithful servants. Go thou and create other utilities, and exchange thy products freely." But the State sends them to jail.

A man earns a competence, and thinks that he can satisfy his desire for scenery and recreation better in a foreign country than in his own. The State permits him to go. While there he sees manufactured products of his own country for sale much cheaper than at home. When he prepares to return he sees that he can satisfy his

desire for certain articles of apparel, jewelry or whatnot, with less disutility by buying the desired articles abroad than by buying them at home. He obeys the economic law of gravity. But when he arrives at port in his own country he is met by men who search his person, ransack his baggage, and often administer an oath with one hand while extending the other for a bribe. After such an experience he goes forth feeling either that he has been unjustly despoiled, or that he has committed the crimes of perjury and bribery. Such a system constantly puts before the custom house officers and employes the greatest temptations and incentives to venality, and leads men to the corrupt practices of perjury and bribery who would scorn such deeds in the ordinary affairs of business life. But even when honestly administered and scrupulously obeyed, tariff laws are a source of untold annoyances, hardships and extortions.

“On the slightest suspicion that a passenger has concealed dutiable goods, the law gives absolute power to the customs officers to strip the suspected person naked; and this power is habitually exercised. * * * The oppressions which have been practiced upon millions of poor immigrants arriving in the United States have never been even faintly described. For many years it was the uniform practice to make them pay enormous taxes upon every article, however trifling, which they had not actually used and soiled. Cases are well known in which a poor woman, who had only one pair of stockings (which she had kept clean for landing, going barefoot on the ship) was taxed 80 per cent on this pair; and men having only two suits of clothing have been taxed upon one suit more than it cost. Nine officers reported their names for honorable mention, on their joint seizure of two yards of flannel, which a poor Irish woman kept clean until her arrival. These are

but small instances of vast numbers of similar petty and contemptible extortions which are carried on, not from corrupt motives, but in zeal for the enforcement of crooked taxation."*

But the iniquities of tariff legislation are not confined to those who live near the political border, those who go abroad, and those who immigrate. Every man and woman in the land is a victim. If a tariff is laid upon a satisform which is not produced in this country, the disutility of satisfying a desire is artificially increased to all the people. If a tariff affects satisforms produced here, the competition of foreign trade is restricted and more must be paid for such satisform, whether domestic or imported. Two economic evils arise from this fact. The natural law of the market which reflects the price fixed by the marginal pair is interfered with, the price is artificially maintained, and all the people lose the benefit of the socialization of utility which would otherwise result from a lower price. Again, the disutility to the people as consumers is not confined to the payment of higher prices for imported satisforms. All domestic satisforms of the same class are sold at a price artificially raised and maintained by the curtailment of full and free competition. It is not simply the amount of the tariff taxes that is taken from the people. The money paid out in higher prices for domestic satisforms is often double, and not infrequently is five or six times the amount received by the government as revenue.

It is claimed that the money thus received by manufacturers in the higher prices of domestic products is paid

* Thomas G. Shearman: *Natural Taxation*, pp. 20, 21.

out again to domestic laborers in higher wages. If this were true, it would furnish no economic justification for the tariff system; it does not pay to rob Peter to pay Paul. But it is not true. Wages are determined by the return to self-employed labor upon the economic margin, and every differential privilege granted to others tends to diminish the opportunity of the marginal producers. If there were any increase in the marginal return because of the tariff, it would be swallowed up in ground rent, under existing land tenure. In a new country, such as the United States, general wages may be relatively high in spite of tariff laws, but never *because* of them.

The people of any country are entitled to receive and to pay the normal marginal wage for each respective kind and class of labor—no more, no less. Producers are entitled to receive, and consumers to pay, the normal marginal price for all trade-forms and satisfirms—no more, no less. All the people are entitled to all the benefits of all the socialization of utility which a normal market affords. They are entitled to economic as well as to personal and political liberty. They are entitled to apply their labor-power to their physical environment without the interposition of any artificial barriers; and having done this, they are entitled to exchange their products where and with whom they please. When they have overcome the disutilities of nature and have surmounted the barriers of mountain and sea, they have done all that economics or the law of evolutionary development demands.

It is no defense of the tariff system to say that the

State is required to create and maintain these artificial disutilities in order to provide for itself a revenue. Nature has provided the State with a source of revenue distinctively its own. The land-forms of every country are recognized as having been originally the property of the whole people. In the first instance, land-forms have always been held by the people in their collective capacity or by the government representing the sovereignty of the State. The value of the land-forms of any country is the concrete expression of the measurable benefits which society as a whole confers upon its individual members. This value is unearned by the people in their individual capacities. It is a collective product, and belongs of right to the people as a whole. To take ground value from the individual who has distinctively done nothing to create it is not to add a single disutility to his productive efforts. It simply puts him upon a par with the man who produces upon the marginal natural opportunity. It equalizes the disutilities of production, leaving to the individual every increment of utility which is distinctively his own. Said John Stuart Mill:

“Suppose that there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners; those owners constituting a class in the community, whom the natural course of things progressively enriches consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the State should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing

it to become an unearned appendage to the riches of a particular class.

"Now this is actually the case with rent. The ordinary progress of a society which increases in wealth is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were, in their sleep, without working, risking or economizing. What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spontaneous increase of rent, to the highest amount required by financial exigencies?"*

This language is used by Mill in an argument favoring the appraisal of all the lands in England with a view thereafter to take all increase of ground value for the purposes of public revenue.

If this plan were adopted in the United States, then to the amount of the future increase of ground values taken for revenue, the disutilities of taxation upon labor values and capital values would cease. The evils of the tariff system would be lessened, but not destroyed. Such a step, if taken, would be in the right direction, but it would be only a step. It would tend to raise the economic margin, but it could not restore it to its normal position. It would afford no opportunity for the raising of the normal margin itself. In order to do this, all ground values must be socialized and public utilities must be conducted upon a flat rate basis covering only actual

* *Principles of Political Economy*, Vol. II, Book V, Ch. 11, § 5.

cost; or, better yet, all such utilities should be free in order to overcome, so far as possible, the disutility of space; for the element of transportation enters into all public utilities.

Great as are the disutilities imposed upon production by the present system of taxation, their direct effects are small compared with the disutilities of the established system of land tenure. In order to satisfy his desires by the exertion of labor-power, a man must have access to the opportunities afforded him by nature—at least for standing room. No matter what may be his energy, ability and skill; no matter to what extent these may be supplemented by the use of capital-forms, he is helpless unless he can have access to some land-form. If he is denied all access to land-forms, he is confronted with an absolute disutility and must perish. If he is denied access to all desirable land-forms except upon payment of rent, then to this extent a disutility is placed upon the net effectiveness of his labor and capital; to this extent his labor values and capital values must be reduced.

To a certain extent, however, this disutility is produced by nature. It can not be evaded entirely. Two men can not have the exclusive possession and use of the same land-form at the same time; and under a commercial system the man who is permitted to possess and enjoy a desirable land-form must pay ground rent or ground value to some man, or to some body of men, for the differential privilege. Ground value is simply capitalized ground rent paid in advance. In a competitive system of industry, ground rent in one form or the other is a fixed charge upon

production. It must be paid, and its payment reduces the rewards of labor and capital by just so much.

Again, the expenses of government constitute a fixed charge upon the values created by the people, and must be paid out of the results of current production. In the established order the disutility of ground rent is borne by the people, and is paid by them out of the rewards of their industry to the private owners of the land. The disutility of supporting the government is also borne by the people, and practically from labor values and capital values. The amount now contributed by land owners, as owners, is doubtless more than offset by the sums exacted from the people in indirect taxation which never reach the public treasury at all. So that, on the whole, labor and capital are now called upon to meet first the disutility of ground rent, and then the disutility of the maintenance of government.

In the régime proposed by bisocialism labor and capital will be entirely relieved of one of these great disutilities. Producers will continue to pay ground rent, to the extent of its present worth, each year. But this will be paid directly into the public treasury in lieu of all other forms of taxation. Instead of supporting a class of landlords who, as stated by Mill, "grow rich as it were in their sleep, without working, risking or economizing," and also supporting and sustaining the government, capital and labor need only support and sustain the government and let the landlords seek investment in productive enterprises. The disutility of ground rent is natural and necessary; the disutility of government is natural and necessary. But

nature has so provided that these disutilities may be met at one and the same time in one and the same way. Ground rent may be taken for revenue. Private landlordism under the present tenure has no basis in nature; it is wholly an artificial disutility, unnecessarily created and maintained by law. It is a social disutility and should be abolished, even if its abolition did not involve the solution of the tariff question and furnish the only natural means of meeting the disutility of the maintenance of government.

It is one of the greatest weaknesses of standard Political Economy that it is forced to maintain that there is no natural system of taxation; that there is no natural source of revenue for the State. As stated by Nordhoff, government is looked upon as a *necessary evil*. This is a conception beside which the anarchistic doctrine that government is an *unnecessary evil* is logic itself. Professor Sumner has said that there are no natural laws of taxation. Professor Perry explicitly declares that there can be no science of taxation; and further, that "Nature has given no whisper, that we can hear, about any taxes."*

To the same effect is the saying attributed to the celebrated Colbert that the act of taxation consists in plucking the geese in such manner as to secure the greatest quantity of feathers with the least possible amount of squawking.

In exact opposition to these views, bisocialism teaches that government is not only necessary, but that, when rightly administered, it is also positively and unquali-

* Perry: *Political Economy*, 581 (20th Ed.).

fiedly good; and that nature has been as beneficent to mankind as to the individual; to the body politic as to the individual body; to the social organism as to the organism of the individual man. Each body, each organism, has a natural source of sustenance. In normal conditions the State is neither a robber, a parasite, nor a mendicant. In normal conditions its economic function is not to create and maintain social disutilities, but to assist all its citizens, in every possible way, to overcome the natural disutilities of matter, space and time.