

landlord. If Premier Asquith remains firm in the face of Tory machinations, Ulster bluster, and army mutiny, he may weather the storm; but should he fail, should his government go down now, rest assured that no future Liberal government will offer as mild a program as the present.

s. c.



NATURAL LAW IN THE ECONOMIC WORLD.

Part Three.

Limitation of competition in industries not specifically endowed by privilege has been the favorite device of despotic governments which have thus sought to retain for specially favored interests benefits which would otherwise be distributed among the masses of producers. Protective tariffs, and the privileges allowed mediæval guilds, are among those devices of government which have sought to restrain competition.

It has been remarked by one of the most searching writers on political economy (Max Hirsch, "Democracy versus Socialism") that no inquiry into the nature and function of competition has ever been instituted by socialists (and he might have included the orthodox school as well) who have contented themselves with asserting its inherent wickedness. Such an investigation rigorously pursued would show that in those instances where competition has seemed to produce evil results it was really because of an interruption of its free operation; and that such competition was one-sided, and therefore not free.

The true office of competition is to establish the relation between efficiency and reward. Nothing will do this save unhindered competition. Let us pause to reflect upon the importance of this for a minute. The naturally inefficient must be eliminated from social production. This does not imply any harsh fiat of the law; the extent of the penalty is the relegation of the competitors to their appropriate places as producing or distributing factors, according to their degrees of efficiency. "From all according to their abilities, to all according to their needs" (Louis Blanc) is a counsel of private philanthropy, not a law of social progress, nor of social continuity. The law of competition, which alone of all means determines the just balance of reward and efficiency, works in the end to the highest satisfaction of the race. To treat this law with contempt, or to attempt to replace it with the altruism of Louis Blanc, is to invite disaster and ultimate social decay.

It is assumed by such writers as Herbert Croly ("The Promise of American Life") that the present congestion of wealth in a few hands is due to "the freedom which the American tradition and organization have granted to the individual." Viewing the problem in this way—and it is the popular way—Mr. Croly urges that freedom has been beneficial up to a certain point, but beyond that it is fatal, or in danger of becoming fatal. He therefore declares for regulation, which is only the adoption of the same remedy which the Socialists, with a program more drastic, and therefore more consistent, urges as the sole panacea. This is the popular economic theory of the day in which the vast majority of Americans share with varying degrees of difference. It is time that these were all properly and distinctly categorized as belonging to the same school of thought. They have too long, to the bewilderment of true principles of logic, occupied the arena as antagonists, and their attacks and riposte on the socialistic position have been mistaken for genuine opposition. It has proved an engaging but not sanguinary encounter, since no false principles have been laid low and the issue of battle has never been clearly defined. It has all the characteristics of a mock tournament, and the false champions of individualism can be shown with their masks torn off as the sorriest of pretenders.



If competition is beneficial why should limits be set to its free operation? If it is a natural law *how can* such limits be set? It is evident that the law of co-operation has itself determined the limits. It ought to be clear that if in certain lines of industry competition reduces earnings temporarily below the normal return to capital, the principle of combination will restrain competition within limits. But so long as special privilege of legal creation is absent from the control of such combinations they cannot raise earnings or profits beyond the normal return to capital. And the reason again is clear—potential competition remains though actual competition is absent. Capital itself is fluid and answers every call; privilege only is solid, and on it, and not on combinations per se, must all monopolies finally rest.

What the forces of competition are doing does not impress itself upon us at all times as it should. Let us assume that the problem of feeding, clothing and housing the population of New York or London had to depend upon a single intelligent directing head. We will fail to appreciate the magnitude of the task, but an active imagination will aid us somewhat. There are few who

in the contemplation of such an undertaking would not confess its utter hopelessness as a task beyond the powers of any single directing human agency. Yet with each individual free to choose his own occupation, with each seeking chiefly the satisfaction of his own desires, and all being free to trade in what is produced, a population of five million people, with no general plan of distribution, contrives to feed and clothe itself in comparative comfort. By what strange alchemy are the individual economic impulses, desires, and productive energies of all these men and women producers poured into a common crucible and made to yield a residuum in which is fused the general good? By what other alchemy indeed than the law of individual and group competition which secures the highest welfare of the mass? How otherwise could New York or London be fed, clothed and housed? To alter the metaphor somewhat, this great economic machine is made up entirely of parts composed of individual wants and small group activities, each answerable to the general call.

If this supplying of general needs is not done with righteous equality, if in the distribution of products the really deserving are forgotten, it is not the fault of these natural laws, without which it could not be done at all. The lesson we are to learn is the unfailing precision, as well as the quality of immutable justice, which resides in the operation of these laws of competition, now called the "life of trade," and now stigmatized as brutal, cruel and unfeeling.



It is to be observed that New York neither grows its wheat nor forges the iron that goes into its buildings. It does not contain within itself these things. With the same unconscious co-operation of forces it secures them by the processes of exchange with outside communities; the springs that govern these processes are all hidden from the eye; they are no part of the conscious operation of individuals. The contemplation of such facts as these are full of pregnant lessons.

A discussion of what is the legitimate province of the state, just how far it may travel in the assumption of public activities, is too large a subject to be treated here. But it may be said that *the state is justified in proceeding only so far as will secure the free operation of natural economic forces*. Having in view the principle of the largest competition, it must not go beyond this what it may decide to do. The sole justification of any state activity is the state's obligation to permit all economic forces to freely operate. It

ought to be clear that attempts to regulate private business are from every point of view undesirable. But there are some businesses in their nature public, which, being in private hands, must be taken over or controlled from the point of view of public policy. These are railroads, telegraphs, telephones and gas companies. Then there are private businesses in which governmental regulation finds its apparent justification in the quasi partnership maintained by government toward them in the gift of tariff favors and in the maintenance of the institution of land monopoly, the exercise of which would be impossible if government had exercised only its prerogative. Let us insist that but for this quasi partnership with private business there would be no justification at all for regulation—for the Sherman Act, or any legislation of similar character.

It is assumed that "agreements in restraint of trade" are dangers against which law is to guard us. But we are told by those who realize how elastic is the term, and how perilous to industry must be almost any exercise of the power to regulate, that the law must guard us only against "unreasonable" restraint. Would it not be well for advocates of restraint to turn again to "first principles," and ask themselves if there is not a decree of greater validity than the decree of courts or industrial commissions which has already rendered innocuous "agreements in restraint of trade"—I mean, of course, such agreements as involve nothing but the intention to combine, which represent combination *per se*, combination plus only the agreement to combine. Nothing is more harmless.



Imagine a state of economic freedom, such a condition as may be brought about by the abolition of every form of special privilege. Imagine then the working of the law of competition, qualified by its opposites, the impulse of men to combine economically. This law of combination or co-operation is qualified or limited by more than one economic factor. It is folly to talk of "indiscriminate competition," or of an age of competition that has passed. No economic laws exist today that were not here in the earliest development of industry. Later periods present more complex phases of the same problem—that is all. And what has bedeviled the same simplicity of its operation is not perfected machinery—as socialists would have us believe—nor the increase in size of industrial combinations, but monopoly. And monopoly is always the creature of government—it is not, as we have said, inherent in com-

bination. The evils exist, let us say again, in special favors conferred in tariff, railroad and patent favors, and in the gift of natural monopolies and natural opportunities—consist, in short, of the quasi-partnership maintained by government with industry or certain industries.

In no country have the natural laws of economics been wholly unimpeded. But in Great Britain the obstructions to trade imposed by excessive customs were repealed fifty years ago. With them have also disappeared certain more onerous and irregular methods of taxation still in vogue in continental Europe. The result has been that economic progress has been far more noticeable than in countries where more backward legislation survives. In France, from other causes, certain long-fixed obstructions to the free operation of economic laws were removed by revolution. The people came more largely into the ownership of the land and the laws of inheritance were modified; the result has been that France is a country which is singular in the material quality of its citizens, and where few colossal fortunes loom ominously over great centers of population pauperized or dependent.

But these countries are almost alone where timid, half-way concessions to the law of economic freedom have been made. The forcible breaking away by the revolution from uneconomic traditions, and the more enlightened legislation of the Code Napoleon in France made way for a greater prosperity, while in Great Britain the natural forces of trade and maritime growth leaped the confines of barbarous tariff and navigation laws the minute their bonds were broken.

Germany should not be wholly neglected in naming the states where economic laws have been allowed a measure of freedom. With the creation of the German Empire and the merging of many duchies and principalities was adopted the *Zollverein*, or Customs Union. This entailed the abolition of all tariffs which these former independencies had levied against one another and a consequent extension of the principles of free trade. Almost at once the effect of natural laws began to be manifest in the increase of German manufactures and the greater prosperity of the German people.

No argument should be required for the contention that a natural law is a beneficent law. We cannot speak of the law of gravitation as a law beneficent or otherwise—since it deals with purely physical phenomena. But social and economic forces include human impulses; they deal with the voluntary acts of mankind; and if civiliza-

tion have a meaning, all natural economic laws must tend to the harmonious development of the race. We can read into them what theological concept we please, but beneficent they must be if life upon this planet is anything but a sorry joke of a very poor sort of creative intelligence. And although we have not yet begun to test the working of these laws evidence is cumulative that obedience to them secures the maximum of human happiness and the onward march of the race to unimagined goals. JOSEPH DANA MILLER.

EDITORIAL CORRESPONDENCE

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The year 1913 has now closed. A short review of the outstanding features from a Single Tax standpoint may be of interest to the readers of *The Public*. Unquestionably, from an economic standpoint, the most important has been the adoption by Paraguay of the principle of Taxation of Lands Values as a source of National Revenue, with the expressed idea, as clearly set out by the Minister of Finance, when introducing the measure, of gradually increasing the tax and using the revenue so produced to reduce the taxes heretofore paid on most of the produce exported from the country. What is perhaps more remarkable is the form in which it has been provided that all valuations shall be made. The new law decrees that the owners of all lands shall declare the value of their holdings, setting forth the value of the land, buildings and other improvements. This value shall be accepted by the government as the actual value of the declarant's property, the Government being given the right to expropriate any property that is considered to be undervalued by the simple method of adding 15 per cent to the owner's declared value and paying same over through the Supreme Court to the owner, provision being made that should any difficulty arise with the owner re-accepting the purchase money, same shall be deposited in the Banco de la Republica and the expropriation thus not be delayed by the almost interminable lawsuits that can be raised under the law systems of most Latin countries, and for the matter of that, where the litigant can pay, in Anglo-Saxon communities also.

This Paraguayan law further establishes a surtax of 40 per cent on all properties where the value of capital invested in the working of same does not amount to 20 per cent of the value of the land, while it is also most clearly set out that in striking the rate of tax on any property the value of the LAND ONLY must be taken into account.

Thus does distant Paraguay lead the world in the matter of making valuations and the levying of taxes for national purposes on Land Values only. This law will strike the death blow to land monopoly in Paraguay as we see it today. There we have estates of 2,000 leagues belonging to one man—18,000 square miles—a mere 11,520,000 acres and the owner has scarcely seen the fringe of his property. These lands,