

# Progress & Plenty

ADVOCATES THE SINGLE TAX  
A SCIENTIFIC CURRENCY *and*  
A MINIMUM WAGE TO  
ABOLISH POVERTY &  
UNEMPLOYMENT

By

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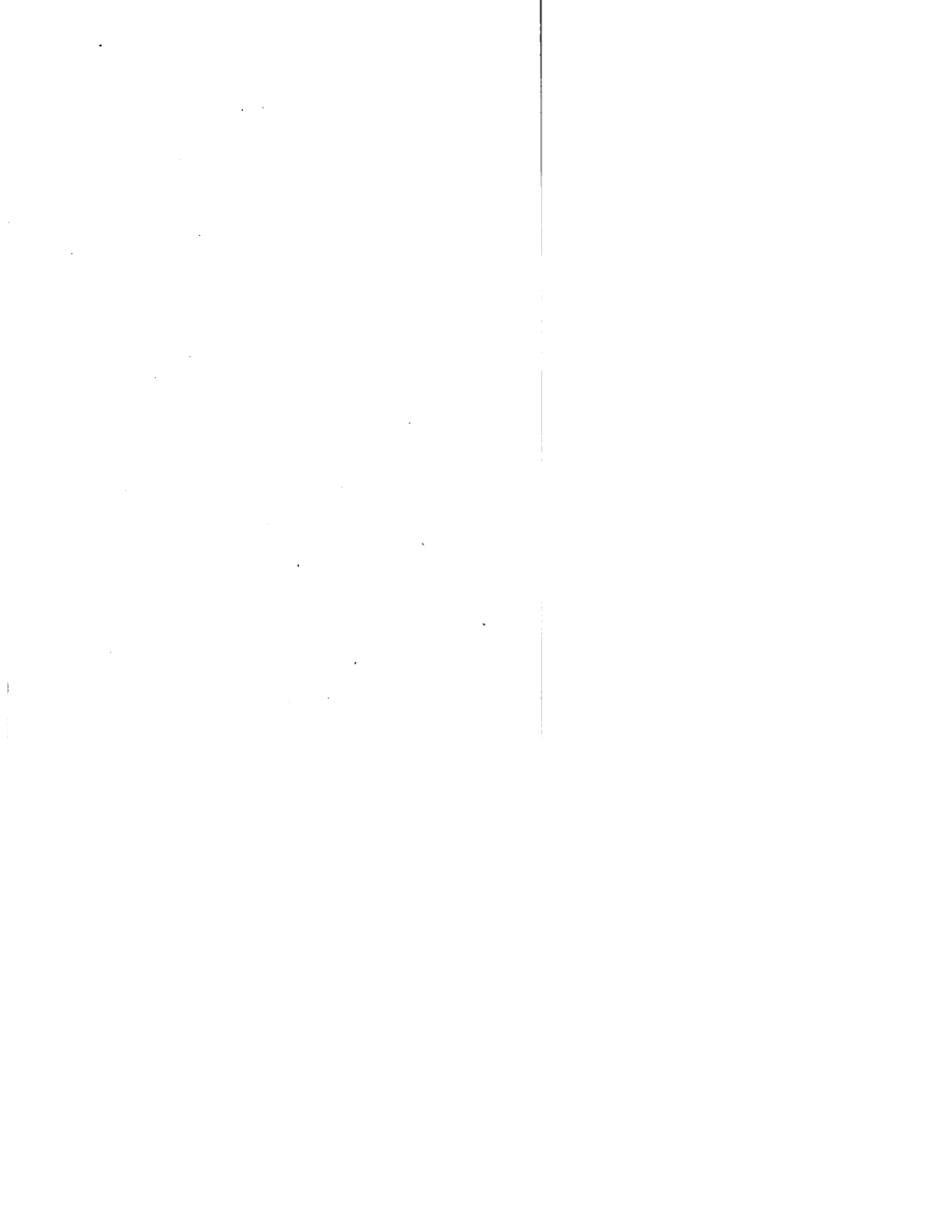
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## CHAPTER I

### INTRODUCTORY

My reason for writing this book is, that I am not satisfied with any book that has yet been written on the subject of Political Economy. Political Economy is a science in the making, and although it has made great progress in this generation, it is still far from perfect. I have studied Henry George's writings more than any other, and accept his teachings in regard to land, but not in regard to the relations between labor and capital. I accept the teachings of Alexander Del Mar on the science of Money; and the teaching of Wm. Blissard on the Ethics of Interest. I do not agree with writers who think there is an irreconcilable difference between individualists and Socialists. We are all individuals, and as such have certain rights. We are all members of society, and as such have certain duties. We should all be interested in maintaining our individual liberties where they do not conflict with the welfare of society, and we should all consider the welfare of society of the first importance.

The interests of the workers are identical. They want conditions that will give high wages and employment for all. The only obstacle that keeps Socialists and Individualists apart is ignorance, and the ignorance is not all on one side, neither is the knowledge.

I see some truths that have been overlooked by reformers and hope to present them in such a way that reformers who are now opposing each other may be brought to work in harmony. It is my purpose to review the teachings of the different schools of Political Economy in regard to the distribution of wealth, accept truth, and reject error, no matter how many endorse it. As I agree with Henry George more than with any other writer I will follow his argument in regard to the distribution of wealth. He saw that previous writers failed to state the laws of distribution scientifically. He saw also that the laws should harmonize, and came so near discovering them that when his mistakes are seen it is very easy to see what the true law is.

The writers he criticises considered Rent and Interest so exactly similar in their nature that they included land with capital, and rent with interest. George saw that considering land as capital was a mistake that was sure to lead to confusion, and in trying to correct this mistake he went to the other extreme and tried to prove that rent and interest affected

wages differently; that the effect of high rent was to lower wages, but that the effect of high interest on wages was to raise them. This theory is so contrary to common knowledge that few, even of his followers, accept it. It was this theory that prevented Henry George from seeing that labor needed a remedy to prevent capitalists from oppressing laborers as well as a remedy to prevent the oppression of laborers by landlords. I purpose pointing out where George's reasoning was false, and correcting his mistakes; then I will show that there is a remedy for the oppressions of capital similar to George's remedy for landlordism.

The true reformer owes allegiance to no man or party. He follows the truth wherever it leads, and is loyal to it alone. The great trouble with reform movements is that so many think they must stick to their party, right or wrong, and allow some one who knows more than they do to do their thinking. No man is perfect, yet all know something. You may see the mistake of a person who knows more than you do, and you may be able to correct it.

I once heard a Socialist lecturer say that Socialism would come by instalments, and he was glad of it, as in that way we would get rid of the rubbish. Now we are all ready for Socialism minus the rubbish, the trouble is that we cannot all agree as to what is rubbish and what is useful. We want to learn to

distinguish truth from rubbish. We want a science of Political Economy free from rubbish. There is nothing true in Socialism that will not harmonize with what is true in any other reform movement; and when we learn the true principles of Government we will soon learn to apply them.

Henry George tried his best to prevent his followers from following him blindly. He accepted nothing on authority himself, and always gave his reasons for his belief, but most men are inclined to follow a leader and think they are bound to defend all his teachings, right or wrong; and George has many followers of that kind. It is of more importance to understand the true principles of Political Economy than to uphold any man's opinions.

Although I have criticized Mr. George more than any other reformer, I admire his character more than that of any other writer; and consider his solution of the land problem the best offered. I intend to show that the principles taught by him have a wider application than he gave them; that as other Political Economists teach, rent and interest are almost identical in their nature, and that to apply the same principles to money reform which George applied to land reform, will give us a money system as far superior to any system ever tried as George's land policy is superior to any other system of land tenure. Socialism,

today, is not what it was twenty years ago. Socialists are progressive, and although their plan may still be far from perfect, their program for legislative action in the near future is pretty good. It may resemble the first machine invented for some particular purpose in being too complicated, and it is my purpose to show how a simpler plan will give better results.

Socialists call our present system of production the competitive system. No socialist writer, as far as I know, has followed the methods of other economic writers, and tried to discover the natural laws that govern the distribution of wealth; and many of their proposed reforms do not harmonize with natural laws.

According to orthodox political economy, there are three factors in production, land, labor, and capital. These are reduced to two, by calling land capital.

Henry George starts in with the same three factors, but before he gets through he says there are really only two factors, that: "In truth the primary division of wealth is dual, not tripartite. Capital is but a form of labor, and its distinction from labor is in reality but a subdivision, just as the division of labor into skilled and unskilled would be."

Now I purpose to show that there are three factors in production, labor, the active factor,

and land and capital, the passive factors. That the natural order is for the laborer to apply himself to the production of wealth by using land and the tools and other capital produced by labor to assist him in producing more wealth. Where the laborer has access to free land, and has capital of his own, he gets all he produces; but if he must give a part of his produce to a landlord for the use of land, or to a capitalist for the use of capital in any form, his wages must be lowered by as much as the landlord or capitalist receive. In a case where the capitalist enables him to produce more wealth his wages will not depend upon what he produces, but upon what he has left after paying interest, just as they depend upon what is left after paying rent, where he has rent to pay.

Mr. George attaches great importance to the fact that capital is produced by labor, and argues from that fact that the relations between labor and capital must be harmonious. I do not consider his argument sound. It is of no consequence where capital comes from, as long as the laborer does not own it, and has to pay a capitalist for its use. The majority of mankind are helpless, because they are deprived of their right to the use of the earth; and also because they are deprived of such a large portion of what they produce by those who own capital. Land being monopolized

by a part of society the rest must compete for its use. Competition for land fixes the share of the landlord. Other forms of wealth that are required to assist in the production of wealth are also monopolized by a part of the people. The necessities of the rest force them to compete for capital. The landlord gets a part of what they produce for allowing them to use suitable land, whether farm, mine, or factory site. The capitalist also gets a part for allowing them to use tools, machinery, stocks of goods, etc. What each gets depends upon the intensity of competition, or upon supply and demand. Competition is the law of distribution. It is natural for selfish men to compete, and evolution has not carried us beyond that stage yet. We cannot in the near future abolish competition; but we can control conditions, so that competition instead of enriching the few will benefit the masses and raise wages. I intend in the following pages to show how it may be done. As to the production of wealth, the problem is being solved. Poverty and low wages are not caused by our inability to produce sufficient for all, but by unjust laws that prevent the mass of mankind from supplying their wants by their labor, without paying a toll for the privilege in the shape of rent and interest; or accepting low wages. As that is the case I will not take up the question of production, but begin with the

law of distribution, and after reviewing what economic writers teach upon that subject, I will proceed to discuss remedies.

## CHAPTER II

### THE CAUSE OF LOW WAGES

Why are wages low? One third of a century has passed since Henry George attempted to answer that question by the methods of Political Economy, and discover why laborers do not receive a just share of the wealth which they produce; and why their share of the product does not increase as their labor becomes more effective through improved methods. His explanation was: That wages do not increase with increase in productive power, because the price of land and rent does; and the landlord receives the whole increase.

The fact that the rate of interest has fallen of late years seemed to him to prove that the capitalist was getting less. The share of the capitalist in the production of wealth does not depend upon the rate of interest entirely; unless he is simply a money lender. There are other ways by which capitalists manage to get a large portion of what labor produces, that do not depend upon the rate of interest, and I think we will find that Mr. George did

not attach as much importance to these as he should.

As land, labor, and capital are the only factors in production, the whole product must be divided between these three factors. The term rent covers the whole of the dividend that goes to the landowner. The term wages covers the whole share of the laborer. But the term Interest does not—as commonly used—cover the whole share of the capitalist. As Henry George used it to denote the share of the capitalist, and sometimes used the word in its narrow sense, it is not surprising that he came to the conclusion that the capitalist does not receive too large a share of the product.

A low rate of interest indicates that plenty of money is in circulation and offered to loan. A capitalist may borrow money, pay rent, wages, and interest, and make a profit. Some will contend that the entrepreneur is really a laborer and that what he makes he earns by his labor in superintending and managing the enterprise. While that is at least partly true, it is also true that it is to his interest to keep wages low, and that one reason why wages are low is that such men get so much. The profits of the entrepreneur depend upon the price he receives for the goods he produced, and not upon the rate of interest on money. I mean that the price he gets for the goods

is the main thing. Of course his profits do depend upon getting low rates on rent, wages, and interest, for he tries to make a profit on all three factors.

Henry George claimed that there was no real conflict between labor and capital, and that capital was the friend of labor. Now that is strictly true, and it is just as true that there is no conflict between land and labor, or between land and capital and that land is the friend of labor. When a laborer owns what land and capital he requires, he receives the whole product of his labor and whether he gets it as wages, rent, or interest is not a matter of any consequence to him, as he gets it all in either case. But when he has to accept low wages on account of high rent, or high interest, the case is quite different. Although there is no conflict between labor and capital, there are often conflicts between laborers and capitalists. When a capitalist hires laborers his profits depend partly upon the wages he pays them, and partly upon the rent he pays for the land they use. He generally owns the land as well as the capital, and in that case there is no conflict between landlord and capitalist, for as they are combined in one person or corporation, they get the whole product except wages and consequently landlord and capitalist are generally combined to keep wages low, and rent and profits high. When rent, wages, and inter-

est go to three different persons each one is opposed to the other two. If a man owns capital, and pays rent and wages, he wants low rent and low wages. If he owns more capital and land than he can use himself, he is only interested in keeping wages low; for as he gets all except wages, it does not matter to him whether he gets it as a landowner or as a capitalist. Nor does it matter to the laborer whether the portion of his product taken from him goes to a landowner, or to a capitalist. The capitalist stands in the same relation to the laborer as the landlord, and Mr. George's theory that capital is the friend of labor is only true when the laborer either owns the capital or does not have to pay too much for its use. He may pay too much for its use, either by paying high interest on borrowed capital, or by accepting low wages.

There is seldom any conflict between landlord and capitalist, because a capitalist may become a landlord by buying land, or a landlord may become a capitalist, either by selling part of his land or by saving part of his rent, and they are generally combined in the same person. No matter how efficient a laborer may be, he is utterly helpless and dependent, without the other two factors. If he has enough land and capital to apply his own labor effectively, in the calling of his choice, he is independent. If he must look to others to supply

him with land and capital, he is dependent, more or less, according to the terms he can make with landlord and capitalist. If his services are in great demand, that is if a great many who are able to pay for them, require them, and if there are no other laborers offering to perform the labor he can do, his wages will be high. If, on the other hand, there are a great many more laborers offering to perform the services he can render than there are employers able and willing to pay for them, then his wages will be very low, and he will be often unemployed. It is competition that fixes the rate of wages.

The plan adopted by organized laborers to raise wages is to refuse to work unless they can secure what they consider a fair wage. It is the plan adopted by all laborers, for that matter. Employers combine to resist the demands of laborers for higher wages, and often to offer less. A better plan is needed for several reasons: In the first place, it is to be hoped that the conflict between capitalist and laborer over wages will be permanently settled; and it never can be in that way. Then it is an unequal contest, for it is not possible for laborers to refuse to work until the employers are compelled to give in. They may cause the capitalists to lose considerable wealth and the capitalists sometimes give in rather than to suffer loss and inconvenience; but the laborers are

soon facing starvation and can never hope to bring the capitalists to that point. When the laborers win in a strike it is not only at the expense of all their savings, and suffering and poverty besides, but the financial loss they cause their employers to sustain, is an indirect injury to themselves. Wealth is required to produce wealth, or they would not have to work for wealthy people, and at the end of a long strike the employers are not able to employ as many laborers as they were at the beginning.

Under present conditions, laborers are often forced to strike for self-preservation. It is time that conditions were changed so that strikes will be unnecessary. The remedy is a problem that should interest the whole people, as all suffer more or less indirectly from strikes. Competition is considered by many to be the cause of low wages, and many wish to abolish it. It will be well to analyze competition and see how it works, and find out whether it is really the cause of low wages or not. All men must consume more or less wealth every day of their lives, and most of them want more of it than they can get. Laborers are seldom satisfied with their wages, landlords always want higher rent, and capitalists more profits on their investments. A person who has no land or capital of his own, is generally compelled to offer his services to others for wages.

and tries to get as high wages as possible. But he must sooner or later accept the terms offered.

One who has land and capital can engage in some industry on his own account. If he has more land than he requires himself, he can rent the surplus to others or he can hire others to help him to use his land. In either case he keeps as much as possible for himself. The laborer cannot remain idle very long, and if his wages are very low, he must have steady employment.

A capitalist or a landlord may sometimes require assistance very much, but never to the same extent that a laborer requires work. One of the principal functions of Governments in former times was to keep the slaves or laborers in subordination, and it is still so. The rich live on the wealth produced by the poor, and try to keep them in a helpless condition, knowing that if the laborers were free it would be impossible to appropriate so much of their earnings. Three things are necessary to our present mode of production and distribution to enable the rich to live on the earnings of the workers. The workers must be kept from using land on easy terms, and they must be kept from accumulating capital, and they must be forced to compete. Under favorable conditions competition raises wages, but when the laborer has nothing to fall back on,—when he

must either accept the wages offered, or starve, then competition may bring wages down to a bare subsistence. In a new country, with plenty of rich land, and opportunities for the investment of capital, but with few laborers, land being plentiful is cheap. Immigration sets in, laborers with a little capital can employ themselves, and those wishing to hire laborers find them scarce. They compete for laborers and wages rise. Laborers ask for higher wages and get them, as some of the employers cannot find as many laborers as they wish to hire, and can only get them by paying higher wages, than other employers. Those who are engaged in the most profitable industries, or own the best land, can afford to pay the highest wages, and by competing can secure the help they require, while those on less productive land or engaged in less profitable occupations are short of help.

Capital is also in demand, and interest high for the same reason that wages are high; it is scarce, and competition for its use forces interest up. Where such conditions exist wealth is fairly divided. The land owners, although paying high wages and interest are not compelled to pay too much, for they need not undertake more than they can do themselves.

Conditions gradually change with the increase of population. There is soon a man for every job, and sometimes men who cannot find

employment at high wages. Employers find that they can offer less wages and still secure all the help they require. As time goes on the condition of the wage earners gradually changes until they are forced to accept very low wages. They even take the places of those who are employed by offering to work for less.

There is nothing in this examination to show that competition is to blame for the low wages of the latter period, as competition had a favorable effect upon wages at the start and would have continued to keep wages high if conditions had remained favorable. The principal change that affects wages as a new country settles up, is the rise in the price of land. While land is free or cheap laborers are continually leaving employment for wages, to work for themselves, and landowners get very little of the product of labor for their share, unless they contribute by working themselves. But when population increases and land goes up in price, fewer laborers leave the labor market, and landowners receive a large share of what is produced, as rent for their land, without contributing any labor themselves. The wage workers of the early days are now mostly landlords and capitalists—in a small way at least—but the laborer of late years has small chance to become either, though a few always manage to gain financial success either by exceptional ability or favorable circumstances.

The wealth per capita is now much greater than in the days of the first settlers, but it is not so evenly divided. Landlord and capitalist both continue to prosper. The two are generally combined in the same person so their relations are harmonious. The rate of interest has fallen, but the capitalist has more money invested, and what with interest on the larger amount, profits on monopolies of one kind or another, he and the landlord get a far larger portion of the wealth produced than formerly. Land and capital being interchangeable keeps landlord and capitalist on an equal footing; as wages fall the laborer comes to be looked upon as an inferior. Deprive a wealthy man of both land and capital and he is still on an equal footing with the laborer. Land and capital both give him an advantage over the laborer. In the struggle for high wages, the laborer can only obtain them by refusing to accept low wages, and he cannot refuse low wages very long, especially if there are many unemployed in his neighborhood.

This study of competition has shown that under favorable circumstances competition will raise wages but that the laborer is not upon an equal footing with the landlord and capitalist, and that he can only secure high wages when there is a demand for more laborers than can be secured at low wages.

To abolish competition when conditions are

favorable to laborers would prevent wages from rising. To abolish competition when conditions were unfavorable would prevent wages from falling and those who had employment would keep their jobs, but it would not help the unemployed. It is not competition that causes low wages, but wrong conditions. Low wages are caused partly—principally, I should say—by the monopoly of the land. There are other things that stand in the way of high wages for all. In his book "The Economic and Social Problem," Michael Flurschiem states the matter very nicely; he says: "The great social problem is: First, the question why a growing number of workers have to go without necessities and luxuries, though only too anxious to produce them for each other; and, Second, what are the obstacles interposed against the exertion of their productive power?" He shows that want is not owing to the inability of the workers to produce an abundant supply for all; but to the unjust division of the wealth produced, caused by the monopoly of the land and capital. He uses an illustration to explain the problem something like this: Crusoe has to work hard for a bare living on his Island (for he claims the whole island) until Friday arrives, then his lot is somewhat improved, as Friday has to give him a portion of what he produces as rent. More laborers arrive and Crusoe lives

in luxury and idleness, but the workers only get a bare living. A ship arrives and Crusoe supplies his tenants with improved tools. Then they all live in luxury for a time. After a while Crusoe raises the rent and also charges high interest for the use of his capital. Then the tenants only get a bare living and Crusoe cannot consume his share. The consequence is overproduction, laborers are discharged and there is soon hunger and destitution on the island although there is plenty for all, if high wages had only divided the wealth so that it could be consumed.

Those who live on rent and interest cannot consume their share of the wealth produced, and those who produce it do not get their just share; the consequence is overproduction accompanied by hard times and destitution, an utterly unnatural state of affairs. It does not matter whether the laborers on the island are slaves, as Flurschein's illustration supposes them to be, or free laborers, as I have stated the case; nor does it matter whether they compete or not, as long as Crusoe has a monopoly of the land and capital. The remedy for the evils on the island is for Crusoe to reduce rents, and interest, and raise wages. I think it will be as well to carry this illustration a little farther while I am at it, and illustrate the remedies I advocate.

We will suppose that Crusoe is a good

fellow and wants to have a prosperous island. We will suppose that he got a copy of *Progress and Poverty* and decided to use all his rent for the public good, instead of for his own private gain, and do away with taxes. The island was soon very prosperous, but Crusoe had a lot of interest on hand and the thought came to him that he might use it in the same way as he used the rent. Population was increasing and money was needed to carry on commerce. Crusoe issued notes and loaned them to all who had good security, at 4% interest. After some time no one on the island would think of paying more than four per cent for a loan of money, for they knew that they could always get it from Crusoe at that rate. Those who had money to lend soon found that if they wanted to keep their money invested they would have to offer it on just a little better terms than Crusoe. Then some of the Islanders came to Crusoe and wanted him to lend them money for less than 4%, but he said: No, if I lower the rate of interest more money will be called for and our currency will depreciate in value. Whenever you can borrow money from private parties at less than my rate, do so; but whenever you cannot, come to me and I will let you have all you need. In this way we will always have as much money as we require on our island, and we will never have any more, for when-

ever there is a surplus in circulation it can be borrowed at less than the rate I charge and will be taken up quickly to return my 4% loans. After that there was never a money panic on the island, wages were always high and no country in the world had such good schools or so many public works.

## CHAPTER III

### HENRY GEORGE'S LAWS OF DISTRIBUTION

Mr. George was an earnest seeker after the truth. He really wanted to discover why wages do not rise with the increase of wealth, and he always stated his reasons for his belief plainly and fearlessly.

He differs from all other writers on political economy in his theory of the laws of distribution. He maintains that as land, labor, and capital are the three factors in production, land cannot be considered as capital, but must be kept separate, otherwise there are but two factors; and if we want to discover what decides the share of each in the wealth produced we must keep each factor by itself. I agree with Mr. George in that, and in my attempt to state the laws I have kept the three factors separate. Mr. George claims that wages fall as rent rises; that interest (the share of the capitalist in production) also falls as rent rises, and that wages and interest always rise and fall together. Other writers hold that: Wages fall as interest and profits rise. This seems to directly antagonize Mr. George's theory; but as they include land with capital, they

must include rent with interest; so their statement really means that: Wages fall as rent and interest rise. That is undoubtedly the truth; for if the combined shares of landlord and capitalist rise there must be a smaller share left for the laborer. But where the three shares are kept separate it is not true that any two shares always rise and fall together. An increase in the share of any one of the factors leaves less to be divided between the other two; and a fall in the share of one leaves more for the other two to divide. Mr. George saw this clearly at the beginning of his investigation, for he says: "The laws of the distribution of wealth are obviously laws of proportion, and must be so related to each other that any two being given the third may be inferred. For to say that one of the three parts of a whole is increased or decreased, is to say that one or both of the other parts is reversely decreased or increased. If Tom, Dick and Harry are partners in business, the agreement which fixes the share of one in the profits must at the same time fix either the separate or the joint shares of the other two. To fix Tom's share at forty per cent is to leave but sixty per cent to be divided between Dick and Harry. To fix Dick's share at forty per cent and Harry's share at thirty-five per cent is to fix Tom's share at twenty-five per cent." Now, I agree with Mr. George

in that, entirely, and have worked out the laws of distribution in harmony with it. Mr. George began his investigation in harmony with it, and found that rent increased with the advance of civilization; and that the increase in rent left less to be divided between laborer and capitalist. He found that as population increased, and improved methods of production and machinery enabled people to use more land, competition for its use raised its price, and its rent. He found that under such conditions there would be more wealth produced, but that most of the increase would go to the landlord.

Then he tried to discover how the capitalist and laborer divided what was left. He saw that capital assisted labor to produce more wealth and that the more they produced the more they would have to divide. Now, while that is all quite true, it is not the problem he was trying to solve. He found under what conditions the landlord received a large or a small share of what was produced. He then should have tried to find under what conditions the laborer received a large, and under what conditions he received a small share of what the landlord left. This Mr. George never did. He did not stick to the rule he laid down in his illustration of the three partners, Tom, Dick and Harry. This mistake prevented him from seeing the importance of

preventing capitalists from getting too large a share, and caused him to concentrate all his energy against landlordism. His object in trying to discover the laws of distribution was to find why wages did not rise with the productive power of labor. There are two reasons, and George only discovered one.

Wages can only depend upon what the landlord leaves, if the laborer gets all that the landlord leaves; but he has to divide with the capitalist. What the landlord leaves might make very high wages if the laborer got it all, and yet under certain conditions the capitalist may get so much that wages may be very low. We will see as we get on that Mr. George's laws of distribution are not complete, but they appear to harmonize. His law of wages is product minus rent; his law of interest is product minus rent; they are both the same thing, the undivided shares of capital and labor. If the laborer received all that the landlord left, the rise in rent would explain why wages remain low. But wages are only a part of what the landlord leaves, and until we know under what conditions the capitalist's share is large or small we do not know the law of wages. Returning to Mr. George's illustration: finding that Dick receives 40% does not explain why Tom's share is only 25%, but when we learn that Dick receives 40% and also that Harry receives 35% then we

can understand why Tom's share is only 25%.

In trying to discover the law of wages, Mr. George should have tried to discover under what conditions the capitalists would receive a large share, and not under what conditions they would have more or less to divide, for that is a problem of production, and not of distribution.

He found that when land was scarce the landlord gets a large share, and we all know that when capital is scarce the capitalist can get a large share. Mr. George saw that the laws of distribution should correlate and mutually bound each other; but he did not see that only one law was required.

All Political Economists agree that supply and demand regulate prices, not only of goods but of land and labor as well. The law of supply and demand, or competition, explains the conditions under which land, labor, or wealth of any kind brings a high or a low price.

Business men know that when several people offer an article for sale that very few people want, the price will be low. They know that if there are many good salesmen out of employment, they can hire one at a low salary, and they know that they will have to pay more for a desirable lot, or business site that several people want, than for one where several sites are unoccupied and offered for

sale. Why Political Economists should puzzle their brains looking for three laws of distribution when only one is required, and they all know what that one is, is more than I can tell. Mr. George came very near seeing that only one law was needed. He says: "In no politico-economic treatise that I know of are these laws of distribution brought together so that the reader can take them in at a glance and recognize their relation to each other." Again he says: "Let us then seek the true laws of the distribution of the produce of labor into wages, rent and interest. The proof that we have found them will be in their correlation—that they meet and relate and mutually bound each other." Competition explains how wages will be high when plenty of land is offered for use and capitalists are wanting to hire more men than offer their services; and that with these conditions reversed wages will be low. It explains that rent will be high when labor and capital require more land than is offered; and low when more land is available than required. It also explains how the capitalist gets the largest share, when landlords and laborers require more capital than is offered for use, and the smallest share when more capital is offered for use than required. Here is a perfectly harmonious explanation of how wealth is divided that I do not think any one can dispute. Although

economic writers have not stated it just that way, I think that most of them really apprehend the law. Mr. George accepted Ricardo's law of rent, and saw that what labor and capital got to divide between them was only what they could earn at the margin of production; that all above this went to the landowner; but he never got any farther. His method of finding the law of wages was to leave capital out of consideration, and consider only the effect of rent upon wages. Now, how could he expect to find the law of wages in that way? How could he expect to divide an apple between Tom, Dick and Harry unless he gave them each a share? But that is what he tries to do.

His law of wages is: "Wages depend upon the margin of cultivation, falling as it falls and rising as it rises." I deny that wages depend upon the margin of cultivation except where the laborer either works without capital or gets the use of capital free; and even then wages are generally much higher than at the margin of cultivation. Wages at the margin of cultivation are the lowest point that under the most adverse circumstances laborers can ever be forced to accept. Wages depend upon competition. Competition can never force them below the margin of production; and it seldom forces them that low.

The law of wages must not only explain the

lowest possible wages but also the highest, and all wages. To prove that Mr. George's law of wages does not always explain high wages, let us take an illustration: Two men, A and B, went in search of gold, a long way from civilization. A found a piece of land that would pay \$20 per day, and took possession. B could only produce \$5 a day on the best land he could find. Now, according to Mr. George's theory, B would work for A for \$5 per day. I think he would be very foolish if he did. When A would come to him and offer him \$5 per day he would probably tell him that he could do that well working on his own account, which he much preferred, that A could well afford to pay \$10 or \$15 per day and that he would not work for him for less, and the chances are that he would get his price.

Now, if there were several men with valuable claims, wanting B's services, he might get close to \$20 per day; and on the other hand, if there were several men working on \$5 claims some of them might hire for little more than \$5 per day. That is the way competition always works; but in some places there is no land to be had free, and still when workmen are scarce wages are high. Unemployed laborers must find employment at some wage. They are often forced by necessity to compete with one another for work, sometimes

even to try to take work from other workmen by offering to work for less wages.

When there is much capital idle, the rate of interest is forced down, just as wages are when workmen are idle.

I hope I have made it plain that the division of wealth between landlord, laborer and capitalist depends upon the relative scarcity of the three factors in production, land, labor and capital. Laborers cannot refuse to accept the offer of low wages when all the best jobs are taken and they have nothing to fall back on; but when they have free land to fall back on, or when there are more jobs offered than there are laborers to accept, then only the best jobs are taken and wages rise. Landlords cannot put up the price of land unless there is a demand for more land than is offered for sale, nor can capitalists make large profits when opportunities for investment are scarce, any more than laborers can raise wages when there is an over supply of laborers. I think I have made it plain that competition is the law of distribution. It explains under what conditions the price of either land, labor, or capital, will be high or low. In other words, it explains under what conditions each factor gets the large, intermediate, or small share of the product. If Mr. George had stuck to the idea that the laws of distribution are laws of proportion as he explained in his illustration

of Tom, Dick, and Harry, which I quoted, he must have discovered the law, but in studying the relation between laborer and capitalist, he took a different point of view. He refers to the illustration in these words: "This natural relation between interest and wages—this equilibrium at which both will represent equal returns for equal exertions—may be stated in a form which suggests a relation of opposition; but this opposition is only apparent. In a partnership between Dick and Harry, the statement that Dick receives a certain proportion of the profits implies that the portion of Harry is less or greater as Dick's is greater or less; but where, as in this case, each gets only what he adds to the common fund, the increase of the portion of the one does not decrease what the other receives." I reply to that argument: A relation of opposition is the way it must be stated if we are to discover under what conditions wages will be high or low. It is the way Mr. George said it should be stated in his illustration of Tom, Dick, and Harry. He says: "To fix Tom's share at 40% is to leave but 60% to be divided between Dick and Harry. To fix Dick's share at 40% and Harry's share at 35%, is to fix Tom's share at 25%." According to that statement, each one is opposed to the other two, and that is evidently the truth, for it is treating all the shares in the sense of proportion; while to say

that each gets what he adds to a common fund is a statement which he never proved, and it is a statement very easily disproved.

In the first place, if labor and capital each get what they add to the common fund, it can only be at the margin of production, where they get all they produce, for on land that yields rent the landlord gets a share without adding anything to the common fund. Consequently upon land yielding rent they do not get what they each produce to divide. So if the statement is true in any case it can only be true where labor works with the assistance of capital upon free land. I will now use an illustration to prove that even upon free land capital cannot claim all it adds to the product.

A laborer is working on free land with primitive tools. A capitalist comes along and says: I am sorry to see you working so hard and producing so little. I will furnish you with up-to-date machinery and you can then produce a great deal more wealth, and I am willing to take for my share just what I enable you to make above what you are now making without my help. Would any laborer be so foolish as to accept such a proposal? I think not. The laborer would reply: That is not a fair bargain. Your capital will earn nothing unless I use it, and still you want all it adds to the product of my labor. You offer me no inducement to use your capital, and I will not accept

it on those terms. I am willing to use your capital on conditions that will benefit us both, but not for your sole benefit. I will use your capital on condition that I keep as much as I could make without its use, and one-half of what your capital adds to the product. In that way we will both be gainers. Without competition that is probably the agreement they would arrive at; but with several laborers competing for a small amount of capital, the laborers would offer considerably more for its use. Of course competition works both ways, and if several capitalists were offering to supply the laborers with more capital than they needed, the capitalists would compete for labor and the laborers would get the capital they required for a very small part of what they produced. Does not this prove that interest does not depend upon what capital adds to the product of labor, but upon competition—upon the supply of and demand for capital?

This is not a new theory. It was held by some economic writers before *Progress and Poverty* was written; and is still held by some writers.

Mr. George gives his reason for not accepting it. He says: "The effect of all the circumstances which give rise to the differences between wages in different occupations may be included as supply and demand, and it is perfectly correct to say that the wages in different

occupations will vary relatively according to the differences in the supply and demand of labor—meaning by demand the call which the community as a whole makes for services of a particular kind; and by supply the relative amount of labor which, under the existing conditions, can be determined to the performance of those particular services. But though this is true as to the relative differences of wages, when it is said, as is often said, that the general rate of wages is determined by supply and demand, the words are meaningless. For supply and demand are but relative terms. The supply of labor can only mean labor offered in exchange for labor or the produce of labor, and the demand for labor can only mean labor or the produce of labor offered in exchange for labor. Supply is thus demand and demand supply, and in the whole community one must be co-extensive with the other.”

Mr. George seems to have overlooked the fact that wanting an article does not create a demand for it, unless the person wanting it has something that other people want to offer in exchange. If supply is demand and demand supply, there could never be unemployed men, with wants unsupplied looking for work and failing to find it. But such is not the case. There are times when thousands of destitute men are without employment and cannot find an opportunity either to produce the things

they need, or other goods to exchange for them. At such times there is an over supply of goods, not because people do not want them, but because the wages of the great majority have been so low that they could not buy them, and there were more produced than those with means to buy could consume. At such times there are so many seeking employment and competing for the few jobs offered, that wages fall very low. The demand for laborers at such times does not equal the supply. There should be a demand for labor as long as there are laborers with wants unsupplied, and with high wages there will be. Supply and demand are, as Mr. George says, relative terms; but not in the narrow sense he stated. Competition is not only amongst laborers for employment, but supply and demand affects the whole three factors according to their relative scarcity, as I pointed out before. Consequently the share of each factor depends upon the relative scarcity of land, labor, and capital. Under certain conditions landlords and capitalists compete for laborers, that is when laborers are scarce. When conditions change and some laborers cannot find employment, then, instead of capitalists competing for laborers, laborers compete for work, so supply and demand does not only determine wages between different occupations, but all wages.

Competition does not divide the shares of

the different factors in production, according to what each factor contributes; but gives the small share to the factor that is compelled by necessity to accept it. If the three factors cannot agree on terms there is a strike. There is never a strike between landlord and capitalist because land and capital can be exchanged and a revenue derived from either without labor on the part of the owner, as long as enough laborers can be kept dependent upon them. We hear a good deal about government of the people by the people and for the people; but such a government has never existed. It may be almost in sight, but so far it has always been the rich who governed, and their main object has been to keep a sufficient number of people dependent to enable themselves to live in luxury without doing any physical labor. That being the case, there is no occasion for dispute between landlord and capitalist. If a capitalist finds that it pays better to be a landlord he can buy land, and if a landlord wants to become a capitalist he can do so either by selling land or saving rent. They are generally combined in the same person and belong to the wealthy class.

On the other hand, there are always large numbers of laborers entirely dependent upon the owners of land and capital for subsistence. They can only refuse to accept low wages until their savings are consumed, and in a strike

must always suffer more than their employers. Strikes and lockouts can never permanently settle the war between capitalists and laborers over the question of wages; and a better plan must be adopted before there will be plenty of work and high wages for all.

At the time *Progress and Poverty* was written there was probably no work on political economy where the laws of distribution were brought together so that their relation could be recognized at a glance. But a book written since then, "Introduction to Economics," by Henry R. Seager, does this. He says: "The general law of competitive distribution for a society allowed to attain the state of normal equilibrium is, then, that each factor in production has assigned to it a share in distribution corresponding to what it itself produces. If rent, wages and interest be defined as the prices paid respectively for services to production of pieces of land, workmen, and capital goods, the law may be stated to be, that competition tends to put a price on the services of each of the factors of production corresponding to the price which attaches to its particular contribution to the product."

Here he claims what I have been trying to prove: that supply and demand or competition assigns to each factor its share, and also claims, what I have been trying to disprove, that each gets what it adds to the product.

Henry George agrees with him as to labor and capital dividing their joint share according to what each produces at the margin of production, but does not admit that supply and demand decides what each receives.

George would also disagree with him as to land getting what it adds to the product, and on the merits or demerits of our land system, George declaring it to be iniquitous, and Seager weakly defending it.

Perhaps I can make it clear why we hold such different views. I can at least explain my point of view by using an illustration: A few men settle on a small island and divide it equally amongst themselves. To make the case as simple as possible, we will suppose that there are only two qualities of land, and that the best will yield double what the poor land will yield to labor.

We will also suppose that each settler has double the amount of land that he can use himself. We will suppose also that the men on the poor quality of land can make two dollars per day by their labor; and those on the good land can earn four.

Now, according to political economists generally, the men on the poor land—the men at the margin of cultivation—would work for the men on the good land for two dollars per day. I claim that they will not work for the others without some inducement, and in this case

there is none. I claim that the men on the poor land would prefer to employ themselves to working for others for the same wages that they could earn for themselves; and that if they would form a union and set a price for labor at three dollars per day, or even higher, they would probably get it; because the men on the good land could afford to pay it, and the men on the poor land having an independent income could never be starved into accepting any terms whatever.

Now if the land had been justly divided at the start, they could all have made four dollars a day by their labor—supposing, of course that they were all equally capable. The men on the good land have, by securing title to all the good land, forced wages down from four to two dollars per day, for that is all that the men on the poor land can make when working for themselves; and the men on the good land have done nothing to entitle them to more than an equal share.

Mr. Seager says: "Each factor in production has assigned to it a share in distribution corresponding to what it itself produces." He does not complain of the injustice of land monopoly. The raw material for all wealth is produced on land, but it is not the land, but the owner of land who gets the rent. What does he do as owner to entitle him to a share of the wealth produced by other laborers? He

is entitled to the use of as much land as other people, but no more. He contributes nothing whatever to production, but he does prevent wealth from being produced to some extent by appropriating more land than he needs. If we can produce more wealth without the landlord than with him, and if he has neither made the land nor done anything for it, except keep others from using it, why continue him in power? If the men on the good land on the island held it for ten years, and at the end of that time were compelled to give up their surplus land should they be paid for it, or should they be required to pay the men on the poor land for keeping them from using good land so long? Did not the men on the good land confiscate property rightfully belonging to others when they claimed more land than they needed? Henry George's plan for restoring equal rights to all in the use of land, is to relieve all from taxation and take rent for public revenues.

I will discuss that question farther on when considering remedies, but we must get a clear understanding of the natural laws governing distribution, before we deal with remedies. I think I can safely say that our industrial system is faulty, that wealth is not justly divided between the three factors, and that labor does not get its just share. I think that these facts are established, first that competition is the

law of distribution, and that competition gives the largest share to the scarcest factor and the smallest share to the most plentiful one. Second. That as competition under favorable conditions raises wages, it is not necessary to abolish competition in order to have high wages, but that conditions must be changed and our system of industry adjusted in such a way that competition will raise wages instead of lowering them. Third, our industrial system gives a share to one factor, the landlord, who is not entitled to anything—and also gives special privileges and consequently too large a share, to the capitalist besides.

I believe that the laborer is entitled to more than he can earn at the margin of cultivation without the use of capital, even if land was not monopolized. I believe that competition under normal conditions will give him more. It is the province of Political Economy to discover what are normal or natural conditions and show how to change our institutions and customs that are unjust. Mr. Seager agrees with me in that, he says: "In actual industrial society, as has already been pointed out, economic relations fall far short of this competitive ideal. Monopoly influences intervene to secure monopoly profits for some entrepreneurs at the expense of the shares assigned to wages and interest. Changes occur to throw the whole mechanism of production out of ad-

justment and to occasion profits or losses to other entrepreneurs which must in time be distributed among all participants. Special obstacles prevent certain groups, especially among the laboring population, from getting the full benefit of the influence of competition, and make their earnings less than they ought economically to be. Full account must be taken of these and other influences when it is attempted to make practical application of economic theories, as in the later chapters of this book. Notwithstanding them, the law of competitive distribution which has been explained is the norm, to which actual relations tend always to adjust themselves. Its mastery is preliminary, not only to a thorough understanding of prevailing conditions, but to any intelligent effort towards improving those conditions as they affect the mass of men." The mistakes made by writers on political economy as taught in the schools, are caused mostly by their considering unnatural conditions as normal. They consider the problems they discuss from the point of view of the entrepreneur instead of from the point of view of the independent laborer who makes a living at the margin of cultivation which I consider the normal condition. Mr. Seagar holds to two theories that do not harmonize. He believes that competition, or supply and demand, decides what each factor in production receives.

He also holds that competition gives to each of the factors what it itself contributes to the product. One of these theories may be correct, but they cannot both be, for they are antagonistic. Let me illustrate: A man is working on free land without machinery. Along comes a man with a machine and offers to lend it to the laborer. With the machine the laborer can do twice as much, and the capitalist demands one-half. The machine will earn nothing unless the laborer uses it, but the laborer can earn as much without it as he will if he accepts the capitalist's offer. Why should he accept? He would not accept on those terms. He would probably want one-half of the increase at least; and as the machine would make nothing unless it is used, the capitalist would probably accept. In this case the laborer would get more than he added to the product and the capitalist less, but there has been no competition. Now let us see what difference competition will make. If there were other capitalists with idle machines some of them would offer to take still less, for the use of their machines. But if there were several laborers working without machines and seeing the man with the machine earning so much more than themselves, they would all want machines in order to make higher wages. As there was only one machine to be had, they would offer more for its use than the man using

it was giving. But, as their object in wanting the machine was to earn more wealth, none of them would offer all that the machine would add to the product. This shows that the capitalist under the most favorable circumstances cannot claim the full earnings of capital, and that Mr. Seager is mistaken in claiming that competition gives to each share in distribution what the corresponding factor adds to the product. What laborers can earn at the margin of production without capital is the least that laborers can be forced to accept under the most adverse circumstances, and is not the law of wages. What the use of capital adds to the product is more than the capitalist can claim under the most favorable circumstances, and is not the law of interest. Now I think I have demonstrated that competition is the law of distribution, and that high wages depend upon low rent accompanied by low interest, and small profits for capital. Also that competition gives the large share to the scarce factor, and the small share to the factor that is in excess of the demand. If economic writers do not know that such is the case, laborers and business men do.

We can now consider what reforms are necessary to abolish poverty and give employment at high wages to all. There are plenty of laborers able and willing to produce, an abundance for all, plenty of good land upon which

to produce it, and plenty of capital to enable labor to obtain the best results; or if anything is lacking, labor only needs the opportunity to supply it, and it will soon be forthcoming.

## CHAPTER IV.

### HENRY GEORGE'S REMEDY.

Mr. George saw that the power of the landowner is identical with the power of the slave owner. If the land is all owned, landless men are forced by necessity to accept the terms of the landlord or starve. Under these conditions, a slave owner has no more power over his slaves than the landlord over his tenants. Where there is free land, men are not absolutely dependent, and if the margin of cultivation is so high that laborers can make a comfortable living on free land, then the laborers are free. The private ownership of land can be defended upon the same grounds as the ownership of men, and upon no other. The same arguments are available in both cases and are as strong for the one institution as for the other. All men have a right to life. If they have, they have a right to live on the earth without buying the privilege from any individual, for there is no other place they can live. All men have a right to liberty. If so they have a right to land, for they cannot be free on land owned by another. Mr. George

says: "There is nothing strange in the fact that, in spite of the enormous increase in productive power which this century has witnessed, and which is still going on, the wages in the lower and wider strata of industry should everywhere tend to the wages of slavery—just enough to keep the laborer in working condition. For the ownership of the land, on which and from which a man must live, is virtually the ownership of the man himself, and in acknowledging the right of some individuals to the exclusive use and enjoyment of the earth, we condemn other individuals to slavery as completely as though we had formally made them chattels."

Mr. George proposed a very effectual way to restore men to liberty, which is becoming popular the world over, and has been partly adopted in several places. He proposed taking the unimproved value of the land (economic rent) for public revenues instead of taxes, which he proposed to abolish. Of course, if the ground rent was not enough for public needs, the deficiency must be raised in some other way; but Mr. George and most of his followers think it would be sufficient. Public revenues are a good deal like individual incomes. If we have very little to spend we try to get along with little, and make the best of it, and if we have a great deal and have intelligence we can still put it to a good use.

It is the same with public incomes. If we can raise a large public fund, we can find plenty of good ways to use it. Any progressive community could, and generally does, spend more than it can raise by taxation. There is no question but what Mr. George's plan would give us a higher margin of cultivation, by forcing unused land on the market. A higher margin of cultivation would give us higher wages and freer men.

Other plans have been proposed to restore the earth to all, but I consider Mr. George's the simplest, most practical, and effectual. I cannot improve upon his proposal for land reform. We not only have his works, but numerous books by his followers, and there is no occasion for me to take up much space repeating arguments with which every one is familiar. Mr. George's failure to work out the laws of distribution prevented him from seeing the importance of reforms that would make it easier for laborers to obtain capital and reduce the profits of capital that are at the expense of high wages.

Interest is paid for the use of capital to assist in the production of wealth. Rent is paid for the use of land for the same purpose. A person renting improved land really pays both rent and interest, although we speak of the whole payment as rent. Economic rent is only what is paid on the value of the bare land;

what we pay for the use of the improvements is interest, but interest and rent are so nearly identical in their nature that we call the whole payment rent. Interest is paid for the use of money. Our money system is almost as bad as our land system—perhaps worse—and an improved system of currency would do as much to raise wages as an improved land system. Mr. George showed how to improve our system of land tenure by taking rent for public uses, and the thought occurred to me several years ago that if taking rent for public use would solve the land problem, taking interest for public use ought to solve the money problem. How well it will do it the following pages will show. Others have seen that the money question and the land question were related. I will quote from "Our Monetary System," by Mary E. Hobart:

In an open letter to Henry George, she says: "In all your arguments in your letter to the Pope against land monopoly I noticed none which might not with equal force and justice be used against money monopoly. That which is true of one is true of the other. . . . Our land system and money system as today organized are so interlocked, and so interdependent upon each other, that it is difficult to analyze their relations and separately establish the evils which arise from each."

I found that the same principles applied to

both problems, and discovered how they could be applied so as to give us a scientific system of currency. I believe my solution of the money problem equals Henry George's solution of the land question, and my principal reason for writing this book is to bring it before the public. I think one of the strongest possible arguments for taxing land values is that the same plan with slight variation will give us a scientific money system.

## CHAPTER V

### MONEY REFORM

A year or so ago a pamphlet came to me entitled: "The National Citizens' League for the Promotion of a Sound Banking System. The Origin of the League." I opened the pamphlet and read: "The Origin of the League." As a result of the panic of 1907 the country became concerned for the commercial safety of its future. This anxiety so pressed upon Congress that the Aldrich-Vreeland Currency Bill of 1908 was passed. This bill was recognized purely as a temporary measure, and the National Monetary Commission was created to investigate the problem of banking reform. At the meeting of the National Board of Trade held in Washington on January 25, 26, and 27, 1910, the following resolutions were unanimously adopted: "Whereas, we assume that a plan for the revision of our currency system will be formulated after the National Monetary Commission has made its final report; and Whereas, a revision of our currency system upon a permanently sound and scientific basis is of vital importance to all interests and should be accomplished as soon as practicable." Re-

solved, "That the National Board of Trade favors the adoption of a currency system which will be based upon the following fundamental principles and insure the following results:

First—Be absolutely fair to all interests and to all localities.

Second—Insure at all times an adequate supply of properly safeguarded currency.

Third—The volume of said currency to automatically expand and contract in response to the normal demands of the manufacturing, commercial, agricultural and other legitimate interests of the country.

Fourth—Said system to be absolutely free from domination or control by political or any other favored interests.

Resolved, That the National Board of Trade calls upon all its constituent bodies to carefully study the fundamental principles of banking and currency, in order to intelligently aid the enactment of such legislation as will best conserve the interests of the entire country."

I think those resolutions the best I ever read. I was delighted to see such a set of resolutions come from a meeting of business men. My second thought was, the bankers will never allow such a system to be carried out, for they have had control of the currency too long to give it up, if they have money enough to pre-

vent such a reform. We cannot expect them to favor anything that will take the control out of their hands. On reading farther, I found that the pamphlet proposed the formation of a National Reserve Association composed of all the banks, and that the bankers were to co-operate, combine and retain control of the currency. The resolutions were a joker. The bankers will oppose such a system. Their interests and the peoples' interests are opposed. They make their money by lending, and want interest to be high, which depends upon money being scarce, while it is to the interest of the common people to have money plentiful, and interest low. They (the people) want to borrow money upon terms that will leave a large portion of what they produce in their own hands. They want just such a money system as the resolutions call for.

The National Citizens' League proposes to form a National Reserve Association which is to be a co-operative agency for all the banks. It is to do no discounting for the general public, but will discount the paper of subscribing banks at a uniform rate. It is to be a bankers' bank, which will treat all of the associated banks alike, and will enable the banks to get credits or money on better terms than now. It proposes to give the bankers a fair system for themselves, but to leave the people in their power. It will be a great help to the bankers

and may not be as bad as the present system for the people. But it is nothing like the system that the National Board of Trade resolutions call for. Up to a certain point the interests of all the people are alike, they all want to see business flourishing. Even pirates like to see trade brisk; so usurers must leave the people some of the profits of their industry or else they will kill the goose that lays the golden egg, or in other words, paralyze trade. The banks are always under temptation to charge too high a rate of interest if they have the power. We must have a system of currency that will give the control of the volume of money in circulation to the Government, and it must have a fixed principle, and rule to work by, or we cannot have a scientific system. The present system allows financial pirates to inflate or contract the currency at pleasure, and that must be stopped. Bankers naturally want as large a share as possible of the profits of business, and what they get lessens the profits of their customers, consequently a system that will please the bankers will give them large profits, and will not be in the interest of the rest of the people. Our present money system is so bad that it does not please either the bankers or the business community, and the National Reserve Association may be better for both than what we have, but it is not the best possible plan for the people, by a long way.

The National Citizens' League is a misnomer. If it is not controlled by the bankers it certainly is working for a plan that will give the banks too much power. There should be a real citizens' league formed to advocate a plan that will harmonize with the Board of Trade resolutions, quoted.

The proposed National Reserve Association would give the banks control of the currency, which is contrary to the resolutions, and would not give us a scientific currency that would expand and contract automatically with the requirements of commerce.

I believe that the principle of a National Reserve is sound, but that the Federal Government instead of the bankers should control the reserve. The officials who issue the reserve must have strict rules to guide them; they must only issue money when the good of the country requires it, and there is an unfailing sign to guide them. The unfailing sign is the rate of interest.

## CHAPTER VI

### SOME PRINCIPLES OF MONEY

I consider Alexander Del Mar the best qualified teacher of the science of money. If he is not so considered by the usurers it is because he has told things that they do not want people to know. He was a teacher of Political Economy, but became disgusted with its sophistries and gave it up. He then became a mining engineer in California. He made some discoveries there that upset the theory that the value of gold depended upon the average cost of its production, and he saw that a good deal of the teaching of political economy in regard to money was false. He then went to Europe and spent several years studying the history of money in both ancient and modern times, and wrote several books on both the history, and the science of money. I will give a few quotations which I consider the cream of his writings.

The first is not very complimentary to writers on Political Economy as taught in the schools. He says: "It should be remembered in this place that it is upon these same acts and

upon these acts alone that rests the whole modern school of Political Economy, with its confused and sophistical arguments, its dismal conclusions, its execrable jargon, and its unmeasured conceit and impudence. Proceeding upon the obvious postulate that exchange is necessary to social existence, and that money is necessary to exchange, Political Economy falsely argues that money is and must be a commodity, and ignorantly and impudently assumes that this commodity has been, is being, and must be valued at the average cost of its current production, assumptions that are repudiated by history, and belied both by the operation of mines, and the everyday transactions of commerce. Upon this rotten foundation has been reared a tottering superstructure of sophistry, which, masquerading through the world in the false guise of science, has filled the schools, and the legislative halls, of every modern state with doctrines which bear about the same relation to societary life that medieval astrology did to the heavens." He says of the power and importance of money: "Money is perhaps the mightiest engine to which man may lend an intelligent guidance. Unheard, unfelt, unseen, it has the power to so distribute the burdens, gratifications and opportunities of life, that each individual shall enjoy that share of them to which his merit or good fortune may entitle him, or contrariwise, to dispense them

with so partial a hand as to violate every principle of justice and perpetuate a succession of social slaveries to the end of time."

Del Mar saw the effects of an unjust money system. George saw the iniquity of an unjust land system. They are twin evils and must both be abolished, and just systems substituted before labor will secure its just reward. Again Del Mar says: "Value is not a thing nor an attribute of things, it is a relation, a numerical relation which appears in exchange." In speaking of what the value of money depends on, he says: "The number of the symbols (coins) may be limited but rudely, the limit may even—though it should not—be left to the chances of mining discoveries, still repeated experiments prove that it is the number of the symbols that definitively measures values, not the quantity, quality, or merit of the materials of which they may be composed. A ready proof that it is the numbers and not the material of money which measure values is this: If the sum or integer of the symbols is altered, so will be the expression of value (price) of all things; whereas the material may be altered, e. g., from gold to silver, or from both to unconvertible paper without at all affecting the expression of value—provided that the combined denominations or sum and legal functions of the symbols remain unchanged. These principles of money—namely, that money is a

measure and must be of necessity an institute of law, that the Unit of Money is All Money within a given legal jurisdiction, that the practical essence of money is limitation, and that coins and notes alike are symbols of money; are fully discussed and illustrated in my Science of Money."

He says of free coinage: "The Acts of 1666, and 1679, while they reserved to the state the unimportant and expensive privilege of fabricating coins and making good their loss by abrasion, robbed it of that most essential of all prerogatives, the right to emit the coins and to stop their emission. As the law stands, anybody may hand metal into the mints and demand coins for it. Anybody may emit these coins and so swell the volume of money and measure of value, anybody may deface or melt these coins and so curtail the measure of value, and anybody may again and again take this same metal to the mints and alternately monetise and demonetise it till the end of time and without either loss, expense, or fear of punishment. Over the measures of length, of weight, of liquid volume, etc., governments exercise the most jealous supervision. In each case they prescribe a specific and accurate standard which they lock up and carefully guard from alteration. But over the measure of value—which is far more important than all the others combined,—they renounced all supervision

whatever, from the moment they adopted the English mint law of 1666 or the French mint law of 1679—in other words, when they adopted what is euphemistically known as free coinage. Under this practice the unit of value—which in point of fact is not one coin, but all the coins and notes circulating within the territory of a given state—is subjected to the hazards of mining, the legislation of foreign countries, and the operations of intriguants, who may alter it whenever it suits their purposes. Free coinage does not deserve the name of a policy, it is too idiotic. It was adopted at the best, with the narrow motive of attracting from Spain those precious metals which she had discovered and endeavored to monopolize, but which even without this legislation she never could have retained.

The tremendous mischief to France which followed its enactment was indeed susceptible of mitigation by means of paper notes, but these paper notes were unfortunately emitted with as great ignorance of the necessity of limiting the measure of value as had characterized the enactment of free coinage itself."

I will quote one more passage from "Money and Civilization." I consider it the most important passage in Del Mar's works.

"He showed that therefore money was related to equity, or to the maintenance of equitable relations between capitalists and labor-

ers; that like other measures the most necessary and essential characteristic of money was scientific limitation. In other words, that to measure with precision and with justice, **THE WHOLE SUM OF MONEY MUST BE FIXED AT SOME MORE OR LESS CONSTANT RATIO TO THE VOLUME OF EXCHANGES.**"

That is the most important fact connected with the science of money; and it is because I firmly believe that I can show how the whole volume of currency can be fixed at a constant ratio to the volume of exchanges, that I am writing this book.

Several people, like those who passed the National Board of Trade resolutions, have seen that a system of currency was desirable that would expand and contract automatically with the requirements of commerce, but I have never heard of a plan being presented that would do it.

Rent and interest being so much alike the thought occurred to me that the land question and the money question might be settled in much the same way. If taking rent for public purposes would settle the land question a scientific solution of the money problem might be obtained by controlling the rate of interest.

## CHAPTER VII.

### AN AUTOMATIC CURRENCY.

The resolutions passed by the National Board of Trade call for a currency system that will be absolutely fair to all interests and to all localities, give at all times an adequate supply of properly safeguarded currency, the volume of which must automatically expand and contract with the normal demands of the manufacturing, commercial, and other legitimate interests of the country.

Why by an automatic expansion and contraction of the currency?

There can only be one answer to that question. The National Board of Trade must have known that if a scientific currency was possible it must expand and contract automatically. When there is a legitimate demand for more money it must respond to the demand. When there is an over supply it must contract. The resolutions give no hint of how to establish such a currency. They must have thought such a system possible as they were practical men and would not ask for what

could not be granted. My plan is the only one that I ever heard of that would fully comply with that demand, though of course there may be others. There is an infallible sign to indicate when more money is required, it also indicates when less is required. When more money is needed the rate of interest always rises, and when the currency becomes inflated, the rate of interest always falls. If the currency was always kept at the same ratio to the volume of exchanges the rate of interest would never vary. I do not think any business man will dispute these facts.

If the government was to fix on a certain rate of interest as the most desirable, and issue more money whenever the rate rose above that rate and contract the currency whenever it fell below that rate we would have a currency that would have almost a steady value, but it would not be automatic. I just mention that to illustrate the principle. There is a better way.

Interest fluctuates with a fluctuating currency and it stands to reason that if we had a currency that never fluctuated in value the rate of interest would never change. It is a poor rule that does not work both ways. It would be hard to adapt the quantity of money in circulation to the demand so exactly that interest would never vary, but it would be very easy to fix the rate of interest, and leave the

amount of money in circulation free to adapt itself to the rate of interest.

**IT CAN BE DONE.** It can be done in this way. The government coins all metallic money and prints all notes as it is, and can easily issue it in sufficient quantities and lend it to the people at a fixed rate of interest to all who wish to borrow, and have acceptable security to offer. It can loan it to the people directly, or, if the banks would act as agents and handle the reserve with less expense than by the government loaning it directly, it might be done in that way. The government can always keep a sufficient supply of printed notes on hand to supply the demand. It should issue no more than demanded at the fixed rate. Now there is no question but what this system would furnish plenty of money, the currency would undoubtedly expand with the needs of commerce. But how about contracting, when less money was required? If the government did not interfere with private loans the currency would also contract automatically. All parties who had money to loan (except the government) would compete, and interest would fall whenever too much money was circulating. Government reserves would not be called for, but money would be borrowed at lower rates of interest than the government rates to repay the government loans. The reserve fund would really be issued by those

who borrowed it and would only be called for when they could not get money on better terms from others.

As to the security, it would not do to be reckless. Only such security as was considered undoubtedly safe should be taken to begin with. But it is to the advantage of the whole country that every one should be enabled to employ himself, profitably at all times, and experiments in a small way should be made to find how far we could go towards supplying every one with a working capital.

In New Zealand the government loans money to settlers, to improve their land, and to farmers to start co-operative creameries, etc. In Denmark, the government—so I have heard—will lend a small amount to laborers to enable them to buy a few acres and asks no security except the signatures of two responsible men who simply vouch for the character of the borrower. If such experiments have proved successful in other countries they probably will in this. Now is not the system I have presented practical, and does it not harmonize with the National Board of Trade resolutions? It would be absolutely fair to all interests and to all localities, for all could get money on the same terms. It would provide at all times an adequate supply of properly safeguarded currency. The security and the interest would safeguard it, for no one would offer good

security and pay interest on more money than he needed, or borrow from the government when he could get it for less interest from others. It would expand and contract automatically with the demand of trade. The system would be as free as any system could be from domination by political or any other favored interests, because the persons in charge of the currency would have fixed rules to go by.

The rate of interest would be fixed by Congress and would seldom if ever be changed. I offer this plan to the National Board of Trade and to all others interested in a reformed currency, as the system that will best conserve the interests of the entire country. This system would not only give us the kind of currency the Board of Trade asks for, but it has other advantages besides. It would furnish a large revenue for the government and lower the rate of interest that most people have to pay. It would do what no usury laws have ever done—prevent interest from rising above a fixed rate. It would raise wages, for it would make it easier for laborers to get capital and employ themselves, and in that way lessen competition for work. In fact it is a companion reform to the taxation of land values, and as a source of public revenue has every advantage that the taxation of land values would have. I will quote a passage from

Progress and Poverty that applies with as much force to my proposed reform of the currency as to the taxation of land values.

"The laws of the universe are harmonious. And if the remedy to which we have been led is the true one, it must be consistent with justice; it must be practical of application; it must accord with the tendencies of social development, and must harmonize with other reforms."

"All this I propose to show. I propose to meet all practical objections which can be raised, and to show that this simple measure is not only easy of application, but that it is a sufficient remedy for all the evils which, as modern progress goes on, arise from the greater and greater inequality in the distribution of wealth—that it will substitute equality for inequality, justice for injustice, social strength for social weakness, and will open the way for grander and nobler advances of civilization."

There is one statement I object to in the above quotation. If I considered a tax on land values a sufficient remedy for all the evils resulting from our unjust system of government, I would not be advocating other reforms. I do think that the taxation of land values, and a scientific system of currency are the two most important reforms, and that when we get those two we will have a better

government than any nation has ever enjoyed. But as we progress our ideals rise, and there will still be plenty of work for reformers for thousands of years, after all the reforms for human betterment so far proposed, have been carried out.

## CHAPTER VIII.

### GOVERNMENT CONTROL OF THE CURRENCY.

Democratic governments are organized to administer public affairs in such a way that all the inhabitants of a state may enjoy as much liberty as possible. It is certainly a function of government to provide equitable institutions and prevent injustice. A just distribution of wealth depends as much upon how the currency is issued as upon any one thing, and the people have suffered and are still suffering from a miserable money system. Some people who see the bribery and corruption of our legislatures favor leaving the control of the currency in the hands of the bankers. If Congress has been bribed in the past to favor the bankers it certainly will not help matters to give the control of the currency to the bribers instead of the bribed.

I have just received the last issue of "Banking Reform," a monthly paper published by "The National Citizens' League for the Promotion of a Sound Banking System," dated September 2, 1912. It criticizes the currency plank of the Progressive Party, in an article under the following headlines: "THE

## ISSUE OF CURRENCY IS A FUNCTION OF BANKING, NOT OF THE GOVERNMENT."

"Progressive Party's Monetary Plank Reflects a Popular Misconception Arising from Our Unscientific Banking System."

I am not an admirer of Colonel Roosevelt, nor am I a member of the Progressive Party, but I do endorse the money plank criticized, and I think I can show that the argument against the Government issuing all money would not apply to the system that I propose. I will give the whole article, in "installments:"

"The currency plank of the Progressive Party's platform is an interesting pronouncement, because it was intended to reflect, and apparently does reflect, the trend of untutored public sentiment as to banking reform. The platform says:

"We believe the present method of issuing notes through private agencies is harmful and unscientific. The issue of currency is fundamentally a government function."

"One inaccuracy here is the implication that the present method of issuing bank notes is 'harmful and unscientific' because it is done 'through private agencies,' that is, the national banks, whereas the harm and lack of science are due, not to the fact that the issue is through private agencies, but to the government's interference with the note-issuing functions of these private agencies. This interference has been carried beyond the point of supervision or regulation, exercised in the interest of safety, stability and justice to all, to the point of control or restriction of note issues.

"Another inaccuracy is the statement that 'the issue of currency is fundamentally a government function,' whereas the issue of currency is not fundamentally or exclusively a government function at all. It is a banking function."

It is generally admitted that the value of money depends upon its limitation. It is true that no currency ever issued whether privately or by government has ever been issued scientifically, and no doubt some bad effects have been caused by interference with banking by the government. But if we are to have a currency fair to all interests it must be controlled by the people's representatives and not by any special interest, which makes a profit by lending money. Even in this paper of the so-called Citizens' League, it states: "The need is imperative for a quasi-public institution to hold the final banking reserves of the country." Why quasi-public? Give the banks and usurers full control and we will have a worse state of affairs than they have in any country. No one would think of giving such power to any set of men who make their wealth by loaning money. The government must have full control of the currency. If the government is liable to abuse the power necessarily entrusted to it, the remedy is to give the people more control of the government. The people want a system that will always give plenty of money of steady value and a low rate of interest. Such a system will not suit the bankers and it will not do to give the power to issue money to a class whose interests conflict with the interests of the people. If the issue of currency is a function of banking then the

government must do the banking, but I do not consider that point proved.

"In exercising supervision over the circulating medium governments have usually taken account of the fact that banks serve a commercial purpose and are, therefore, the best instruments through which a circulating medium can be provided. In his opinion upholding the constitutionality of the act incorporating the second United States Bank, Chief Justice Marshall said:

"The currency which it circulates by means of its trade with individuals is believed to make it a more fit instrument for the purposes of government than it could otherwise be. . . . The court has already stated its conviction that without this capacity to trade with the individuals the bank would be a very defective instrument when considered with a single view to its fitness for the purposes of government."

"The Progressive platform's statements take no heed of the rule that 'without the capacity to trade with individuals the bank would be a very defective instrument.' If the government undertakes to issue currency, but has no capacity 'to trade with individuals,' it will be a defective instrument for that purpose. The capacity to trade with individuals brings banks into touch with business, makes them respond to the demands of business and therefore gives elasticity to their note issues. It is the lack of capacity to trade with individuals which forbids the government's getting into touch with business or learning its needs, and so denies elasticity to government-issued currency."

The government has the capacity to trade with individuals if necessary. If the government can collect taxes it can collect interest.

It is possible for the government to control the volume of money in circulation without lending directly to the people. It can lend directly to the people without doing a general banking business, as it is only necessary for it to hold the reserve and issue money when

more is required, which will be when there is a demand for money at the government's fixed rate of interest.

But if the choice lies between the government either doing the whole business of banking, or allowing the banks to issue money uncontrolled by the government, by all means let us have government banking.

"Currency issued by banks, like checks and drafts, is created by the transaction which gives rise to the need of it. Currency issued by the government is the product of an arbitrary ruling by Congress or of an opinion by some official that it should be issued.

"If the government undertakes to issue currency to meet the demands of business, the government must exercise the other functions of banking—deposit and discount. It must accept deposits and make loans to business men on commercial paper. Except the Socialists, those who thoughtlessly advocate government-issued currency make no proposal that the government engage in general banking.

"The most glaring inaccuracy in the platform pronouncement is the implication that an efficient means of issuing currency is the solution of the whole monetary and banking problem. This view is so commonly entertained as to be excusable. There has been frequent elucidation in this journal of the fact that elasticity of bank credit is the question of fundamental importance. A proper reserve system underlies this problem. A currency that will expand and contract automatically with the expansion and contraction of the volume of business 'is only a part of the problem.'"

There is nothing in this section of the article to show that the issue of currency is not a government function. Currency issued by the government need not depend upon an arbitrary ruling of Congress. It can be issued as I have pointed out, to supply the demand at a

fixed rate of interest, or it could be issued in harmony with the multiple standard, only when prices were rising. According to the last quotation the two most important objects to be accomplished by a reformed currency, are a proper reserve system, and a volume of money expanding and contracting with the requirements of commerce.

The plan I propose will supply both requirements and it will not matter how much or how little gold is in the treasury, it will supply as much and only as much money as is needed. The government can issue the reserve without exercising the other functions of banking—deposit and discount. If the government cannot control the volume of currency without going into the banking business, by all means let it undertake banking; but I think it is only necessary to control the reserve, and meddle just as little with the banks as possible. The reserve should only be called on when the rate of interest reached a certain point, and that point should not be high. If the banks would agree to loan out the reserves when needed on commission they might be allowed to do so. As long as they had private funds to loan at the government rate or less of course they would lend them first, and when they ran short of other funds they would always have the government reserve to fall back on. Their customers would know that

they could always get a loan from the reserve at the government rate, and that would prevent the banks from asking more for private loans. If the banks would handle the reserves and charge the government a small commission it would probably be the cheapest and easiest way to issue the reserves, but I do not claim to be an expert in that line. If my proposal attracts enough attention to cause discussion, and there is a better way, it will likely be brought out.

"In his speech at Providence, Colonel Roosevelt elaborated and modified the platform pronouncement. Again was a popular misapprehension reflected in his remarks. He said:

"We must have a currency that will meet the requirements of the whole country. It must have elasticity. It must be absolutely beyond question in character, ranking with the best in the world. The issue of currency should be a government function, and therefore the currency issue should every dollar be as good as gold, and this it can only be if issued against assets so good that the general business sense of the community will unhesitatingly accept them as being as good as gold."

"Here are singular contradictions and inconsistencies and both singularly in accord with the foggy views of the public. Perhaps they are not unnatural considering the country's monetary experiences and habits. The demand for elasticity is repeated, and yet there is a plea for government issue which makes elasticity impossible.

"No one will deny the general truth that every dollar of currency should be as good as gold, but we may question the soundness of the implication that unless the government stamps every note issued with its mark, the business sense of the community will reject it as having a value less than gold."

There are neither contradictions nor inconsistencies in the quotation from Mr. Roosevelt's speech. The government can issue a currency that will not only be as good as gold but a great deal better. All students of the money question admit that gold fluctuates in value and that a money system based on gold must fluctuate in value with the fluctuations in the value of gold. Under the free coinage system money does not measure the value of gold, but the quantity, and the value of all other commodities as compared with a certain quantity of gold, which fluctuates in value according to supply and demand, like every other article of commerce. It is claimed by the advocates of a gold standard that the value of gold does not change very much because the supply of gold in the world does not change very fast. While that is true, it is only one half of the truth. The demand may increase or decrease suddenly and that will affect the value of gold just as much as a change in the supply. Every issue of silver or paper money in the world affects the value of gold. "The fluctuations of money escape our notice. Our whole education leads us to look at the dollar as absolutely invariable. It is like the earth. We do not see it move. The sun and stars appear to move around the world, and commodities appear to move while gold stands still; whereas in both cases the actual fact is

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the reverse of appearances.”—(Prof. S. Newcomb).

What makes the value of gold appear to remain steady is making the dollar a measure of quantity for gold. If gold was demonitized and every coin replaced by a paper note of the same denomination, prices would not change, and if at the same time the United States made the current rate of interest permanent by supplying the demand for money at that rate, the average price of commodities would remain steady. The fluctuations in the value of gold would then be measured by money the same as changes in the value of other goods. When that is done every dollar in circulation will be much better than gold, for it will have a steady purchasing power and measure the value of all commodities, including gold, with precision, which is something that gold money has never done.

“This seems to be another reflection of a popular notion, due entirely to habits of thought produced by an unscientific and defective monetary system. We have all been taught from the cradle that the government’s credit and the government’s promises are of a superior order. Government bonds are customarily regarded as of higher quality than other evidences of debt. As a matter of fact, government bonds have no peculiar standing so far as their own merits are concerned. They have been given a fictional value that has nothing in particular to do with the government’s power to pay. They do not stand on their own merits as investments. They represent a measure of monopoly. Their ownership by a national bank carries with it not only the privilege of note issue against them as secur-

ity, but national banks are required by law to invest a certain percentage of their capital in interest-bearing government bonds. Over 80 per cent of the government's interest-bearing debt is in the form of bonds owned by national banks and deposited with the United States Treasurer as security for circulation and deposits of public money.

"A market for the bonds was made by law. Purchase of the bonds carries with it a monopoly of note issue. In this way the bonds are given a value that is fictional. The proposal of the National Monetary Commission to retire national bank notes uncovered the fiction, or made it more emphatic. It raised the question of how the privilege bond ownership carried could be destroyed without causing great loss to the bond owners. It is admitted that these bonds, if marketed on their investment desirability, would sell down to about 70. The withdrawal of the circulation privilege and compulsory investment in them by national banks would involve a loss of at least 30 per cent to the present owners of the bonds, or it would necessitate refunding by the government at a higher rate of interest, and so cause a corresponding loss to the government.

"Government bonds have no special or even sentimental value as compared with other bonds. 'As good as a government bond' is an empty expression. England's credit is as good as that of the United States. English consols, bearing 2½ per cent interest, are now selling around 75. Germany's credit is as good as that of the United States. German Imperial 3s are selling around 79. The credit of France is of the highest class. French rentes, bearing 3 per cent interest, are selling around 93. But none of them carries the circulation privilege and in none of them are the banks of those countries compelled to invest part of their capital. European bankers are better pleased to hold bankers' bills arising out of commercial transactions. Such security is held superior to that of British, French or German bonds in desirability for banking purposes and in convertibility into cash. United States bonds, marketed on their merits, might sell as low as 60, and the fact that they are government obligations does not disproportionately increase their desirability for investment purposes. In short, 'the business sense of the community' will not unhesitatingly accept them as be-

ing as good as gold. The business sense of the community accepts government bonds at a valuation fixed by their investment desirability.

"There are still a few countries in which currency is issued by the government. Russia is one. Probably San Domingo, Nicaragua, Venezuela and their neighbors have well-oiled printing presses which turn out currency as the exigencies of the dictators demand. But the financial experience of stable governments has taught that the business sense of the community will unhesitatingly accept currency as equal in value to gold only when, in addition to a reserve of gold behind it, there is liquid commercial paper. Commercial paper, which evidences the existence of goods in process of transfer from producer to consumer, is the highest type of security when there is at hand some means of converting it into gold or an equivalent. Such paper is secured by the necessities of the consumer and the capacity of the consumer to pay. If it can be made a live asset, that is, if a means for rediscounting it can be provided, it is the security which the business sense of the community unhesitatingly accepts as equal to gold. If currency is issued against such assets under a banking system scientifically devised, the currency is as good as gold, and it is the only kind that is so accepted. It is the only kind that is elastic, because it is the only kind that in its fluctuations keeps exact step with the fluctuations in the volume of business. It is necessarily issued by a bank because only banks have such assets. When government does anything but devise the system, regulate its operation and exercise supervision in the interest of safety and equity, it defeats the purpose which currency issues are designed to serve."

Michael Flurschiem, speaking of National Banks, says: "A special institution of this country organized on the plan of keeping your pudding and still eating it. These banks deposit in the United States Treasury, bonds whose interest they pocket, and on the

strength of these bonds they obtain money, almost interest free, which they lend out at high interest." A nice institution for the people to uphold, is it not? Is it not about time to do away with the National banks? I can see no great obstacle in the way of abolishing their special privileges. The U. S. government can either issue notes and redeem the bonds at par and require the National Banks to redeem their notes; or, what would be better, the government could call in the National bank notes and replace them with its own notes. When that is done the bonds are paid for, unless the National bank notes in circulation do not equal the amount of the bonds. In that case of course the government should pay for the bonds that exceeded the notes. National bank notes do not represent wealth earned by any one. The government simply gave the National banks the privilege of issuing these notes on condition that they buy the bonds. When the government printed the National bank notes and turned them over to the National banks it really paid them for the bonds although it continued to pay interest on the bonds. It can either cancel the bonds and redeem the notes, or it can cancel the notes and redeem the bonds. There is no reason why it should be required to redeem both notes and bonds. It will not inflate the currency in the least to replace the National bank

notes with government notes, and it will reimburse the National banks for all the capital they invested in government bonds.

The system of currency I propose would supply the country with just such a currency as the country needs, and is just what the National Citizens' League is working for, except that the amount of money issued would be controlled by the government instead of by the banks. It would be secured "by the necessities of the consumer, and the capacity of the consumer to pay." It would have the best possible backing—a steady purchasing power. It would buy gold as it would buy everything else at its market value, established by the higgling of the market, and be of a far steadier value than any currency based upon the gold standard. I do not think it likely that the gold standard will be given up very soon, as so many people still have the gold worshiping superstition. But the plan I propose could be carried out without even repealing the free coinage law, unless great quantities of gold were discovered. In that case, free coinage would have to be stopped, or the value of money would fall with the value of gold, no matter what system we have. I object to the statement in the last quotation that: "When government does anything but devise the system, regulate its operation and exercise supervision in the interest of safety and equity, it

defeats the purpose which currency issues are designed to serve."

The government cannot "exercise supervision in the interest of safety and equity" without retaining the power to issue money when it is needed and stop its issue when there is enough in circulation. But if the government will give us an automatic self-regulating currency as I propose, it can leave the banks to manage their own affairs with very little interference.

Del Mar makes it quite clear that in order to regulate the measuring quality of money, the government must regulate the issue, and issue enough to keep prices from fluctuating, and this is the most important function in regard to money that the government has to exercise; as the unit of value is not a certain coin but all the money circulating within the jurisdiction of the government.

When we consider some of the idiotic regulations the government has made with regard to money, and especially in regard to the gold reserve, it is not to be wondered at that some people object to giving it the responsibility of regulating the currency. Here is a quotation from Banking Reform that reminds me of the old lady who starved to death with thousands of dollars put away for safe keeping which she had not sense enough to use:

"George E. Roberts, Director of the Mint,

pointed out in a recent speech that during the panic of 1907 the United States had to borrow gold from England, although this government at the time had about six times as much gold as the Bank of England had. He said in part:

“No wonder the London Economist, reviewing the record in its number of March 1, 1908, said: ‘The crisis showed, much to the relief of experienced bankers, that the raising of the bank rate is as effective a device as ever it was, in attracting gold.’”

“It is a humiliating record for us and a convincing proof of the inferiority of our reserve system that the Bank of England, carrying a reserve of only \$150,000,000 for all the bank credits of England, was able to furnish relief to the United States, which held a reserve of over \$900,000,000 in government vaults and more than that scattered in banks. That is the superiority of a consolidated banking reserve over a government reserve, which belongs to nobody in particular, plus banking reserves which the banks dare not use.

“In a crude and costly way, by the blind operation of events, the same influences are eventually set in motion with us which elsewhere are scientifically directed. Where we set out to acquire gold we can get it by the sheer weight of our resources and the sacrifices we are able to make. When all the banks in the United States are ‘loaned up’ tight the

expansion of credits is stopped; sometimes the process seems a little abrupt, but we have never had any other way, and we are like the old lady who took her first railroad trip on a train that was wrecked, and supposed they always stopped the trains that way.' ”

It is a good thing that there was some material in the world that was available to make money out of or we would have had to return to barter. If all the gold in the world had been in the treasury and Congress kept it there it would not have relieved the situation. And if there had not been a single ounce of gold in the treasury, but plenty of either gold or paper money in circulation, there would have been no crisis. The only reserve the country needs is to reserve the right to stop the issue of money when prices generally are rising and interest falling, and to issue money when prices are falling and interest rising.

## CHAPTER IX.

### THE MULTIPLE STANDARD.

One thing I like about the discussion of the money question going on at present, is that there are fewer disputes in regard to the principles of money than formerly. If a plan is proposed to reform our money system that harmonizes with these principles it will be more difficult than ever before for those seeking special privileges to make a plausible demand for them. The bankers and economic writers have admitted so much that is true in regard to the principles of money that they are going to find it pretty hard to make a strong argument against a plan that will be fair to all, if it also harmonizes with economic principles. Michael Flurschiem has written several books on economic subjects, and has also had practical experience in banking and commerce. He is widely known as a reformer and advocate of the multiple standard of value for money. I am going to give some quotations from his book "The Economic and Social Problem," for I think that what he has written supports my plan for a scientific money system. My plan is much the simplest, but

they are both founded on the same principles, and either plan would give us a better system than any country possesses. He quotes Ricardo as saying: "The whole charge for paper money may be considered as seigniorage. Though it has no intrinsic value, yet by limiting its quantity, its value in exchange is as great as an equal denomination of coin or of bullion in the coin. It is not necessary that paper money should be payable in specie to secure its value, it is only necessary that its quantity should be regulated." . . . . . "A regulated paper currency is so great an improvement in commerce that I should greatly regret if prejudice should induce us to return to a system of less utility."

"The introduction of the precious metals for the purposes of money may with truth be considered as one of the most important steps towards the improvement of commerce and the arts of civilized life. But it is no less true that with the advancement of knowledge and finance we discover that it would be another improvement to banish them again from the employment to which, during the less enlightened period, they have been so advantageously applied. John Ruskin says: "The use of substances of intrinsic value as the material of a currency is a barbarism, a remnant of the conditions of barter, which alone renders commerce possible among savages."

“There is only one way to find the value of money: It is to obtain the prices of goods and services. In other words, the value of money is its purchasing power. There is no other gauge; just as money measures the value of merchandise, so merchandise measures the value of money.”

“The relation between the quantity of money offered for goods and the quantity of goods supplied for money—in other words, the law of supply and demand—determines not only the price of goods, but also, at the same time, the price or the value of money.”

“Can we blame the gold fanatics if they stick to their gold standard as long as experience justifies them in the belief that gold, with all its fluctuations of value, is after all not subject to such excesses in this direction as most of the paper currencies on record? But they leave out of sight the fact that not a single case is known in modern history where an inconvertible paper money was issued under normal conditions, for the purpose of providing a better money than metal coins. Invariably such money was issued in times of wars or revolutions, or at least as the result of acute financial distress. Under such conditions it could hardly be expected that the issue would conform to rules adapted to maintain a fixed standard of value for the paper, which in no way proves that such rules might not be

devised. On the contrary, a closer investigation will show us the feasibility. A perfect standard of value for money is reached when the average price of merchandise does not vary, and this can only be obtained where the quantity of the money supply in the market adapts itself to the demands of the market; where more money appears when prices tend to go down, and where the surplus disappears when the tendency is in an upward direction. This is impossible in the case of metal money, whose supply depends on the good will of those who control the bullion market; but it is within the reach of possibility in the case of paper money, which can be supplied to any amount at the shortest notice, whose issue can be adapted to the market's exigencies, more money being issued when prices fall, and money being retired when prices rise. Thus, while our present law fixes the price of gold, the new task is to fix the average price of goods through a regulation of the money circulation."

I think this plan practicable, but that to supply the demand at a fixed rate of interest would bring about the same result automatically and save the work of a corps of statisticians. Flurschiem would try to keep prices from fluctuating by the government keeping "A small corps of statisticians who would receive and tabulate the current market prices

for each day. When they found that prices were falling, they would lower the rate of interest, more money would be borrowed and prices would rise. On the other hand if they found that prices were rising, they would raise the rate of interest, less money would be borrowed, the currency would soon contract and prices fall."

I think all who have made a study of the money question will agree that the theory of the above plan is sound. I find no fault with the principles of Mr. Flurschiem's plan, but I think there is a better way of carrying them out. If raising the rate of interest causes less money to be borrowed and prices to fall, and if lowering the rate of interest causes more money to be borrowed and prices to rise, we can prevent prices from either rising or falling by fixing on a permanent rate of interest and supplying the demand at that rate as I have pointed out. My plan seems to me to be the only really scientific plan that has ever been proposed. If no more money was ever issued than enough to supply the needs of commerce at present prices, interest would never fall, nor the average price of goods rise. Interest only rises when more money is needed, and is not forthcoming, and only falls when less money is required to maintain the average price of all things unchanged. If that is the case, and if the government supplied the de-

mand of solvent people for money at the current rate of interest, money could never get any scarcer, and the average price of goods could never rise. When less money was required than what was in circulation there would be people with money on hand which they could not invest at the government rate, and who would offer to take less. As long as money could be borrowed for less than the government rate government loans would not be called for, but the cheaper money would be borrowed to return the government loans. With this system in operation government loans would only be called for when more money was really needed, and in that case it would always be forthcoming in sufficient quantities. Instead of watching prices and raising and lowering interest, as prices fell or rose, I would simply supply the demand at a fixed rate of interest, knowing that if that was done prices would remain steady without looking after.

## CHAPTER X.

### DIRECT LEGISLATION.

Of all proposed reforms, the most important and the most popular is the demand for direct legislation, or the Initiative, Referendum and Recall. These three measures will enable the people to propose any law they want enacted, and have it referred to a vote of the people. The people can initiate good laws and repeal bad laws and recall any public official who is false to his trust. In order that the people may become self-governing it is necessary that they have the power to propose any law they wish. It is also necessary that if the legislature refuses to pass a law that the people can have a chance to pass on it themselves, that is: have the law referred to a direct vote of the people. In that way they can not only get the reforms they want, but repeal laws which they do not want.

The Initiative gives the citizens the right to have any desired reform measure brought before the legislature upon presenting a petition from a certain percentage of the voters.

The Referendum requires the legislature to

submit any bill demanded by petition of a certain percentage of the people, to a direct vote. It gives the people the power to veto any act of the legislature, or to enact any law they want in spite of the legislature, as any bill submitted to a vote of the people becomes a law if a majority of the votes are in its favor. Fourteen states have already passed bills nominally giving the citizens these reforms, but only seven of them have passed bills that are of any practical use. I will quote some passages from "Equity," a little magazine published in the interest of Direct Legislation, to show what the enemies of Direct Legislation are doing to prevent the rule of the people. There are "seven states which will vote this fall upon the adoption of an initiative and referendum system which has been submitted to them. *Six will vote on amendments which have wicked jokers, are incomplete, or are worse than nothing. . . . The real fight from now on will be to get workable amendments.*"

Here are some of the jokers which the opponents of direct legislation are getting into the amendments to make them impracticable:

"Here, briefly stated, are the principal 'jokers' which have been found to render ineffective the Initiative and Referendum in those states where they have been in use. This article is intended to put students and workers for Direct Legislation on their guard against

the plausible talk about 'safeguards and restrictions.' Every 'joker' has for its object the limitation of the power of the voters in legislation. We must expect this sort of thing from the politicians, but there is no excuse for the friends of Direct Legislation falling into traps set under the specious plea of 'protecting the Initiative and Referendum from being abused.'

"JOKER NO. 1.—*Limiting the Initiative to statute laws and prohibiting the voters from proposing and adopting amendments to the state constitution.*

"The Constitutional Initiative is the most vital part of any amendment. It is denied to the people of South Dakota, Utah, Montana and Maine. Also, it is omitted from the amendments proposed in Washington and Idaho.

"JOKER NO. 2.—*To require an improbable or impossible majority necessary to enact or reject measures submitted to the voters.*

"Oklahoma requires a 'majority of all votes cast in said election' necessary to enact any measure submitted either by the legislature or by Initiative petition. No measure submitted at a regular election since 1907 has been adopted, although five important ones did receive a large majority of the votes cast 'thereon.' Twelve states have for years had this requirement for the adoption of constitu-

tional amendments, and in those states it has been found practically impossible to change the constitution, no matter how necessary. Every measure voted on should be decided by the votes cast *thereon*.

*"JOKER NO. 3.—To require large petitions, or to render it difficult to secure them, no matter what per cent is required.*

"The proposed Wyoming amendment requires 25% petitions, which is absurd. Montana has the standard percents, 5 for the Referendum, 8 for the Initiative. But to suspend the operation of a law until the vote is taken, a Referendum petition must be signed by 15% of the voters in a majority of the counties. For other petitions it is provided that 'two-fifths of the whole number of counties of the state' must furnish as signers of said petition the required per cent of the legal voters in such county. This joker has been incorporated into the Nebraskan amendment. It appears in the Missouri amendment so modified as to require the percentages to be secured in 'each of two-thirds of the congressional districts of the state.' The signature of any voter in the state should count, regardless of residence.

*"JOKER NO. 4.—To so frame the 'emergency clause' that the legislature may annul the Referendum whenever it chooses.*

"The usual language employed is, 'The

Referendum may be ordered, *except* as to laws necessary for the immediate preservation of the public peace, health or safety \* \* \*.' The courts have held that the legislature is the judge as to *what constitutes an emergency*, and so it becomes a simple matter for a majority, or even a two-thirds majority, to 'except' any law from the possibility of a vote of the people. At least a two-thirds majority of all members of each house should be required to declare an emergency, and such vote should be on a separate section setting forth the reasons for the emergency.

"JOKER NO. 5.—*To put an arbitrary limit upon the number of measures which may be submitted to the people at any one election.*

"This is an old scheme which has worked great hardship to the people of several states where a limit has been set to the number of proposed amendments to the constitution the legislature could submit at any one time. In Kansas, Arkansas and Montana, only three amendments can be submitted at a legislative session. In Illinois only one article of the constitution can be amended at an election, etc. When grave emergencies arose and the people demanded important changes *opposed by the interests*, the legislature has quickly filled the ballot with trivial proposals, and made it impossible for the important measures to be voted upon. This same scheme can be

worked when the Initiative is in operation. It is a great and growing danger. The excuse will be made that the ballot must not be 'overloaded.' But when a large number of questions appear upon the ballot of any state, it is an evidence that the legislature is not doing its duty. The *real* thing that troubles the politicians and their masters is the presence on the ballot of important measures which they do not want enacted by the people. Place no limits on the voters. This is their government and they can take care of themselves.

"JOKER NO. 6.—*Failing to provide an adequate and efficient method of informing the voters concerning the measures submitted to them.*

"The only safety for the political machine is to keep the people in ignorance. Hence, every effort by stump speakers and venal newspapers to distort and misrepresent vital proposals made through the Initiative or sent back to the voters by the Referendum. Newspaper advertising is of little value, is very expensive, and is open to political graft. The Oregon Publicity Pamphlet is the thing."

The politicians have discovered that they cannot defeat bills for the Initiative and Referendum directly, so they are pretending to favor direct legislation, and at the same time they are working all manner of underhand methods to defeat the will of the people.

In several of the states the bills passed are worthless. Men who have been working for direct legislation for years are often forced to oppose the bills presented. It costs a good deal to get up a petition of 5% of the voters even when a large majority are in favor of the measure; but when the law requires a petition of 25% of the voters to have the law referred to a vote of the people, it is better not to have the bill passed, as it could seldom be used even when urgently needed. I cannot do better than to quote part of an article from Equity:

"In addition to the work of informing our readers upon the progress of Direct Legislation and warning the workers concerning the dangers from abortive Initiative and Referendum provisions, we have been arousing the friends of the movement in the states of Idaho, Florida and Wyoming to the necessity of defeating at the polls the fraudulent amendments which are pending adoption and will be voted upon in those states November 5.

"As a result of our efforts the Democratic County Central Committee at Boise, Idaho, adopted a strong resolution against the proposed Idaho amendment, which has been sent to all Democratic central committees throughout that state. The resolution condemns the requirement that a majority of 'all votes cast' is necessary to enact a law under the

Initiative, and that all other details are left for legislative action. A movement is on foot, headed by Hon. Victor O. Johnson, of Shoshone, to establish at once a Direct Legislation League to fight the proposal at the polls and pledge candidates for the legislature to submit a workable, honest provision at the next session.

"In Florida, articles from the editors of Equity, stating reasons for the rejection of the Florida proposition, have appeared in the American Eagle, published by A. H. Andrews, at Estero, Fla., and the work is being prosecuted of arousing the live wires to the danger of blocking I. and R. progress in that state for years by the adoption of the proposed amendment, which requires 25% petitions.

"In Wyoming, which has the worst pending amendment of all, it has been difficult to get action, but the State Federation of Labor is responding and we hope for results from that source. This proposed amendment requires 25% petition and also has the majority 'of all votes cast' joker. An article covering the common 'jokers' which destroy the power of any amendment appears in the September issue of The Federationist, the official organ of the American Federation of Labor.

"The work of Equity is *against* bad amendments, as well as *for* good amendments.

“Several magazines of nation-wide circulation, like Collier's, The Public, etc., have given notice to the valuable summary of the 'Present Status of the Initiative and Referendum,' which appeared in the July issue of Equity, and repeated in this issue, and other editors have used the material furnished by this magazine in writing valuable articles upon the subject.

“In addition, work has been begun in Pennsylvania and a large amount of educational literature is going out of the office to the right sources. The Editor believes that the time has come when there is a good hope for the submission of an amendment by the legislature and its adoption by the people of the Keystone state.

“We invite your help in extending the circulation and influence of this magazine. It is a patriotic undertaking published at a constant loss, and supplies a need which no other publication does. You can make no greater mistake than to suppose that the Initiative and Referendum is safe, now that it is endorsed by so many political parties and platforms. The truth is that we were never in so great danger as now. The 'progressive' politicians of all stripes and parties are espousing this cause for the purpose of getting elected to office. They have favored and will favor 'jokers' which render the I. and R. of no

value. Now is the time to stand for the real thing and not sit supinely by and wake up later to the fact that a worthless I. and R. amendment 'safeguarded' by politicians is worse than none at all."

## CHAPTER XI.

### SOCIALIST POLITICAL ECONOMY.

When we get the Initiative, Referendum, and Recall adopted in every State in good practical working laws, the self-seeking, grafting, politicians will lose their power to prevent good laws from being passed, or bad laws from being repealed. Then we will not need political parties, and if they still exist it will be principally for educational work. If for instance the Socialist Party elected their candidates to office they could not put a single law on the statute books that a majority of the people opposed; and without gaining a single office they could have any law passed that a majority of the people did want. A great deal of nonsense has been written in the name of Socialism in the past, and we may find that some of their political economy is not scientific yet; but for all that we may learn as much from the Socialists as from any other school of political economy. One of the good reforms they advocate is Direct Legislation, and it is evident from the following quotation that they understand the cause of pov-

erty, and the doctrine of the survival of the fittest. The following is from "The Principles of Scientific Socialism" by Rev. C. H. Vail: "Is there any one who does not see that the poverty of the many is caused by the robbery and waste of the few? So long as we have a privileged class who shirk their duty and compel others to do their work, so long will there be degradation and poverty. But why do laborers submit to this condition? Simply because the privileged class has gained a monopoly of the means of production which is necessary to labor. The laborer being unable to employ himself is obliged to submit to the conditions imposed upon him. The first step in the abolition of poverty is the abolition of the parasite class. Poverty will be impossible when every man is obliged to live by his own labor, instead of the labor of others. At present, between the waste of labor-power in mere idleness and its waste in unproductive work, but a small part of the people are productively employed. Were all usefully employed and the waste of our competitive system eliminated, but a few hours' work would be required to produce an abundance for all. Abolish class robbery and the problem is solved. 'Whereas it has been known and declared,' says Ruskin, 'that the poor have no right to the property of the rich, I wish it also to be known and declared that the rich have

no right to the property of the poor.' Give to every man the full product of his labor and he will be able to live in decency and plenty.

"But it is said that the poor are poor because they are not fitted to be anything else; that the fittest survive and that this is the inexorable law of nature. Let us look at this law of the survival of the fittest. What does it mean? It simply means that a plant, animal, or man that is best fitted to survive under certain conditions will survive. It has nothing whatever to do with the quality of the conditions. According to this law the man who succeeds in a certain society is best fitted to that kind of environment. Thus, under certain conditions, one type of man will be best fitted to survive, while under different conditions, a different type will succeed. In the early days, when physical strength was king, the man best fitted to survive was the one with physical strength and endurance. Today when commercialism is king, the man who succeeds does not require strength of arm so much as cunning and clearness of head. A John L. Sullivan is the type of man best fitted to survive in ancient society; a Rockefeller in modern society. But neither one of these types touches the moral qualifications. Evidently then, the fittest has nothing to do with morality. The poor, then, are poor simply because they are not fitted or have not the

opportunity to succeed in the acquisition of wealth under present conditions. It does not follow that they are not worthy of a decent livelihood or that they might not succeed under different conditions. The survival of the fittest, under present conditions, does not secure the survival of the noblest and best, but rather the reverse. Commercialism, like physical combat, is a war, in which cunning in one instance and brute force in the other succeeds. In commerce Jesus Christ would have been no match for Rockefeller; in physical combat Buddha would have stood no show with Sullivan. Now which is the best condition of society, that which gives the lowest type of humanity the pre-eminence, or the highest type? If the highest type should succeed, ought not society to be so reconstructed that the noblest and best qualities shall have full play? We have no objection to the survival of the fittest, only we desire that society shall be so organized that the real fittest shall survive. We desire such a condition that the law shall work for good instead of evil.

“The law as we have noted, insures the survival of those best adapted to the conditions under which it works. If the conditions are such that the unscrupulous and unjust are given an advantage, then these are the ones best adapted to succeed. We object to the present industrial and social conditions for

the reason that it makes the basest best fitted to survive. We wish to establish an economic and social environment under which all will be 'fit' and all will 'survive.' We would so organize society that none would be pushed to the wall, and that while each would succeed in accordance with his fitness, still the success of one would not mean the failure of another. Socialism would reorganize society on such a basis as would guarantee the survival of all its members. It would abolish forever this hell of poverty that results from special privilege."

I think very few can object to anything in the above quotation, and if Socialists could offer a plan for correcting the evils of our social system that would be practical and that would not interfere with individual rights, Socialism would advance much faster than it is doing. But so far different writers on Socialism, although agreeing on general principles, have not been able to present a practical plan for carrying them out. There is one general plan advocated by F. M. Sprague and others that certainly is practical as far as it goes, and if Socialism is ever brought about, it will probably be done in that way. They see that Socialism requires too great a change from existing institutions to be accomplished at once, or even in a short time. Therefore they would bring it about by degrees, meeting

the problems one at a time, and crossing the bridges, so to speak, as we come to them. The only objection I can see to such a plan is that it may never lead to the kind of Socialism that some Socialists dream of; but we can apply democratic principles to industry, bring about a state of social justice, and fraternal equality, better, and more quickly in that way than in any other. And, as a Socialist lecturer said: "In that way we will get rid of the rubbish."

Mr. Sprague says: "We examine the principles on which the new ship is constructed, and finding them to be civil liberty, fraternal equality, and social justice, we are logically bound to accept them without regard to the particular manner in which the ship may be rigged. In other words, Socialists may logically insist on the adoption of these principles, leaving their application to future contingencies. The eternal, political, and moral verities on which our republic is founded were rightly regarded by our fathers as sufficient ground for the Revolution and guarantee for democracy. Questions of administration, the relations and reciprocal duties of citizens, States, and nation, the numerous details of the constitution, the particulars of legislation, repeals, amendments and experiments—in short, the entire *modus operandi* involved and required in the successful working of a re-

publican form of government, were outlined but dimly, if at all, when the logic, none the less sound and conclusive, of Concord, Lexington, and Bunker Hill was applied in the name of Justice, Liberty and Equality. Those who would discuss details, or the workings of a proposed theory in order to determine the principle of action, assume that the principle is one solely of expediency. A moral question admits of no such determination. Socialism is essentially a moral question, and herein lies the secret of its strength, the hope of its friends, and the terror of its enemies. . . . Distrust of these principles is pessimism. Their judicious application depends upon the exigencies of time and circumstances, and affords abundant room for the theories of philosophers, philanthropists, and statesmen. He who insists upon any arbitrary or invariable application of them, whether a Socialist or individualist, is a fanatic or a crank. The details of the Socialistic state, as outlined by certain Socialists, are not essential to its existence and successful working. On the contrary, they are wholly gratuitous. When therefore, they are refuted by an opponent, let him not imagine that Socialism is thereby overthrown. Other details or application of the principles of Socialism are not only possible but probable."

There are thousands who believe in the

above principles, who cannot accept the detailed plan of any Socialist party and who therefore cannot join a Socialist party, who are nevertheless ready to vote for any practical measures that will carry out these principles. It is to be hoped that when we get direct legislation, the members of the Socialist party will vote for measures that harmonize with these principles, even when advocated by other parties. If they do we will carry these principles by larger majorities, and have them adopted more quickly than if we have to wait for either the Socialist or some other reform party to come into power.

Socialists differ on a very important point—the law of wages. Vail in his "Principles of Scientific Socialism," puts the cart before the horse and says:

"The cost of the laborer is the cost of his living, and other things being the same, his living is determined by the number of his habitual needs."

He quotes Ricardo and Marx to maintain his theory, and disproves it by admitting that: "In each country the average cost of living constitutes a social standard, or socially accepted standard, of living, and this at any given period, regulates the rate of wages. It is the social standard of living that regulates the general rate of wages, and wages regulate the individual standard of living. When the

standard is established, the price of labor power, being affected by demand and supply, will vibrate above and below its natural value. If the supply is excessive, the price of labor power, like other commodities, falls, and if the supply continues in excess of the demand a new social standard will be established around which, as from a centre, the price of labor power will oscillate. The value of labor power both rises and falls in accordance with this law." Does not that prove that it is supply and demand and not the standard of living, which is the law of wages? Mr. Sprague, in "Socialism" says: "Adam Smith mentions five causes which determine wages, but not one of them is the 'standard of living.'" Again he says: "So far from the truth is it that wages depend on 'the standard of living' that the exact opposite is truer; namely, that the standard of living depends on wages and changes with every variation in wages."

Although he does not pretend to know what the law of wages is, he really states it in the following: "We may not be able to say what determines wages. If we were to sell labor, we would get the most possible; if we were to buy it, we would pay the least possible, for the simple reason that while we abhor the system that makes competition necessary, any other course, under individualism would soon compel us to take up our march 'over the hill

to the poorhouse.'” Socialists use the word “value” in so many ways that they can scarcely be said to attach any meaning to the word at all. Whenever more than one meaning is given to a word in economic discussion it is sure to lead to confusion. Socialists avoid this to some extent by using a qualifying word, but in nearly every case the qualifying word can be used to express the meaning without using the word “value” except when they are speaking of “exchange value” and in that case, if they only used the word “value” in its true sense the word exchange would not be necessary. While this is true of other words and other schools of Political Economy, and although “value” is often misused by all, still there is no stumbling block in the Socialist philosophy that compares with “value.” “Useful” expresses the same meaning as “use value” and in the latter expression “value” is of no “use.” A Socialist, after hearing a lecture on Political Economy, did not understand it very well, because the lecturer “never told what kind of values he was talking about.”

Sprague says: “Labor is the source of all value,” meaning that labor is the source of all wealth. Value is simply a relation between two or more things. “It is neither a thing nor an attribute of things.” Nothing has value until it is compared with something else, and then its value depends upon the relative sup-

ply of and demand for the articles compared.

It is true that the amount of labor required to produce an article affects its value because the laborer must be paid for making it, and if the demand for an article does not cause its price to cover the cost of production—including the cost of labor—fewer of such articles will be made until the reduced supply causes the price to rise enough to cover the cost of production. This encourages laborers to produce the things that people want the most, because by so doing they will get the highest wages or profits; and it discourages them from making what people do not want, because it does not pay.

It may seem to some that there is no material difference between my theory and Mr. Sprague's. He claims that the value of an article depends upon the time required by laborers to produce it, but admits that supply and demand (or competition) may cause the price either to rise above or fall below the cost of production. While I claim that the value of all things depends upon competition, but admit that labor will not be directed to making goods unless there is sufficient demand for them to cause their price to at least equal the cost of production. But in problems of this kind a slight mistake in the premises may lead to altogether unwarranted conclusions, and I think it the different meanings we attach

to the word "value" and our different ideas of what causes value, that has made us differ entirely as to what is required to make wages high. Believing that the price of labor depends upon supply and demand I naturally come to the conclusion that if we regulate competition so that there will always be a demand for all the labor offered, wages will then be high. Sprague, believing that the value of goods depends upon the time labor requires to produce them, comes to the conclusion that competition must be abolished. Mr. Vail, believing that wages depend upon the cost of living, would abolish the wage system.

Del Mar speaks of the execrable jargon of the writers of the capitalist school of political economy, and I am sure the Socialist jargon is far worse and some new terms are necessary to avoid the use of some words in more than one sense.

Whether the co-operative commonwealth is necessary to the reign of social justice or not, is a question that may be left open until we get some other reforms that are more pressing and easier to apply. A reformed system of currency is the most pressing question at present, as it is before Congress now. The plan I advocate is in harmony with the Socialist platform and it may even suit the bankers, except that they will be sure to want the rate of interest charged for government loans fixed

at a high rate so as not to interfere with their profits.

The taxation of land values is gaining in popularity with the Socialists as well as with other reformers, in fact the forces of Democracy are gradually drawing together. Socialists are becoming more democratic and Democrats more Socialistic, and if the tendency continues they must finally meet and unite. When that time comes the reign of social justice will be very near. Direct Legislation, land and money reform, are the three most important steps towards a higher civilization, and when we get them the less important reforms will soon follow. The public ownership of capital is altogether unnecessary. Give the government control of the currency and the people loans at a low rate of interest, and the capitalists' power to oppress labor is gone. A tax on land values will free labor from the oppression of the landlord. These two reforms will bring us very close to the Socialist ideal, and although many other reforms are desirable, they are not really necessary.

## CHAPTER XII.

### REFORMERS MUST UNITE TO WIN.

If land reformers, money reformers, and Socialists, could all unite, they could soon overcome all opposition, and we would soon have an improved industrial system. The principal obstacle to union is that their proposed remedies do not all harmonize with natural law. When reformers all realize that: "The laws of the universe are harmonious," that economic laws are no exception, and when a plan for an improved industrial system is presented, with all the proposed changes harmonizing not only with natural law but with one another, there is scarcely a doubt but what such a plan will bring reformers together. The followers of Henry George must be shown his mistake; they must learn that man's right to the use of the earth, and his right to exchange his wealth with whomsoever he will, are not the only natural laws that are infringed by our industrial system. They must learn that in order to employ themselves effectively laborers require capital; that the easier it is for them to obtain capital, the

greater will be the number of laborers who can employ themselves profitably, consequently, less competition for work and higher wages. They have also to learn that government is simply organized society, and that it should work for the common good. If the majority decides that the government should enter the industrial field, there is no good reason why it should not. It can do so without interfering with the rights of capitalists, and by so doing it can free the laborers from dependence upon capitalists. We can adjust our social system to the law of competition in such a way that wealth will be justly distributed, or we can adjust it so that competition will give most of the wealth produced to a few.

Our legislators have understood natural law pretty well but have worked for the latter result and have been quite successful. I like the way Mr. Blissard states the case in his "Ethics of Usury and Interest." He says: "A fixed rate of lawful interest was an empiric remedy and failed. In unreformed parliaments no scruples were ever shown as to interfering with economic laws so as to benefit the legislators. Wages were fixed by act of Parliament. The importation of Irish cattle was prohibited for the benefit of English landlords, just as the importation of foreign corn was handicapped by a duty. The doctrine of Laissez-faire inaugurated later, was not so

much a policy as an interregnum between two policies. It succeeded a system of violent interference of the civil law against economic forces. It should precede a system of directing these forces into channels of social usefulness." That is just it. We cannot prevent these forces from working, but we can, if we understand them, adapt our institutions to them in such a way that they will benefit the whole people. Now that is just what reformers are trying to do. The Single Tax movement is an attempt to direct natural forces in such a way as to benefit the whole race, by restoring the right to the use of the earth to all. The Socialist propaganda is for the same purpose. They not only intend restoring the earth to all men, but they intend to enable every man to apply his labor effectively, by supplying him with the necessary capital. If they understood natural law better they would try to harmonize their proposed reforms to these laws. They see the bad effects of rent, interest, and competition, and propose to abolish them. Our system of commerce and industry has been adjusted to these laws in such a way as to enslave the masses and keep them dependent upon the rulers, or those who control the land and the money. Social justice can be established without abolishing any of these. Rent and interest can both be taken for the common good and competition can be

prevented from forcing wages down or from having any other bad effect. Our industrial system based on monopolized land and capital, forces people to compete and to be far more selfish than they would be under conditions that would enable them to get land and capital on easier terms. Under better conditions competition certainly will not be so keen, and as people become less selfish, may gradually die out, at least the bad phases of it will. It did not require any man-made law to start the competitive system, and it does not require any special law to abolish it. We can guide competition into channels of social usefulness. Systems may be adopted that will prevent competition from doing harm. For instance: taxing land values will prevent competition for land from forcing rent as high as it does under the present system; and the reform which I propose for the currency would prevent competition for money from forcing interest above the government rate. Laws have been passed to prevent usury by forbidding people to charge more than a certain rate of interest; such laws generally do more harm than good, as it is often better to pay a high rate of interest than not to secure a loan. The government, by forbidding people to charge more than a certain rate of interest, causes less money to be loaned, and borrowers are often forced either to evade the law or to

get along without the loan. Now if instead of forbidding people to ask more than a certain rate, the government had offered to furnish loans at a certain rate whenever the borrowers could not obtain money at that rate, it would prevent high interest without causing any hardship to borrowers. The same principle can be applied to wages.

The government has no right to compel employers of labor to pay more than the competitive price, but the people have a perfect right to hire all the unemployed at as high wages as they can afford to pay. So if instead of asking for a law compelling all who hired laborers, to pay at least the wages fixed by law, the people should require the government to hire all the unemployed at a minimum wage, then employers could not hire any laborers for less than the minimum wage and competition could only raise wages above the government rate, and there would be no unemployed. On the other hand to compel employers to pay more than the competitive wage would cause more to be unemployed than there would be without a fixed minimum wage.

If that plan was carried out the government would get all the inefficient workers in the country and suitable employment would have to be furnished for them. We have reached a state of civilization where there should be no unemployed. It is a disgrace to our coun-

try that there is a person in the land able and willing to work, who cannot find an opportunity at fair wages. We should not only find employment at high wages for all who can work, but we should also feed, clothe and shelter all who can not. If we were to pay a minimum wage to all who applied for it, whether they could work at all or not, the minimum wage might take the place of the proposed old age pensions, and in fact almost all other kinds of charity, besides finding employment for all able workers who could not find employment at higher wages.

I do not mean that the government should pay able-bodied men a minimum wage unless they worked, but that those who applied for the minimum wage should get it although unable to work. Speaking of the unemployed, is there a more idiotic plan possible for keeping people unemployed than the army? Until the army is disbanded altogether the soldiers should be put to work at some useful occupations, and their wages raised. They might be drilled one day in the week and earn enough to be self-supporting at much higher wages than they are getting. If we raised all public revenues by taxing land values and supplying the people with money at a low rate of interest, a minimum wage would probably not be necessary for able-bodied men, as there would probably be work for all at high wages, and

when child labor is prohibited there will be plenty of easy work for those unable to do hard work.

One object I had in mind when starting to write this book was to present a plan upon which all reformers could unite. I have not appealed to either passion or prejudice. I have tried to be fair to all parties, to admit the truth, no matter who advocated it, and also to expose economic error wherever I could detect it. Whether I have presented the truth in acceptable form or not remains to be seen. I have appealed only to reason, and leave it to the readers to judge if I have made a reasonable appeal.

## CHAPTER XIII.

### CONCLUSION.

I have attempted to correct some economic fallacies, and to substitute true for false principles. There is no principle advocated in this book that has not been accepted by a large number of people, still there is no book advocating the same set of principles. I have found some truth that has not been generally accepted in all schools of political economy, and I have found error in the teachings of all the works I have examined. To me, my philosophy seems perfectly harmonious; but I do not forget that Mr. George's philosophy seemed harmonious to him, and still seems so to some of his followers. It must be so with all writers. If we could see our own mistakes we would not make them. Of course a person may advance arguments for a theory that he cannot fully prove, but I have not attempted to disprove anything without having what I considered conclusive evidence that it was false; nor have I attempted to prove anything unless I believed the evidence justified me in accepting it. If I have expressed no doubts

on any of the points I have tried to make, it is because I have seen no reason to doubt the correctness of my position.

Although no Political Economist states that competition, or supply and demand, is the law of distribution, yet they all admit it either directly or indirectly. As to Mr. George's theory that high rent lowers wages while high interest raises them, the facts are so plain and so generally accepted that I must apologize for taking up so much space refuting it. My excuse is that a great many of Mr. George's followers still believe in that doctrine, and it not only prevents them from taking up other needed reforms, but weakens the Single Tax cause. In other respects the Single Tax theories are ahead of any other economic theories, and its advocates are among the ablest and most earnest reformers. It is of vital importance that all reformers should see that high interest must have the same effect upon wages that high rent has—that is to lower them. Any one who accepts Mr. George's statement that: "The laws of distribution are laws of proportion," must surely recognize the fact, that if wages are lessened by the landlord getting a large share of the product they must also be lessened by the capitalist getting a large share. A person who does not see that cannot come to right conclusions as to the relation of capitalists and laborers. He must

attach too much importance to the effect of rent upon wages, and he must fail to see the pernicious effect of high interest or large profits. No one who does not understand the true law of Distribution can be a consistent worker for reform. The most conspicuous example which I can think of is the late Tom L. Johnson. He was a sincere, earnest worker for a just division of wealth, but his acceptance of Mr. George's theory that high interest accompanied high wages caused him to advocate a system of currency actually worse than the one we have, and that is saying a good deal. While in Congress he presented a bill to have the government issue 3% bonds. The owners of the bonds were to have the privilege of exchanging their bonds for money, or their money for bonds, whenever they chose. Such a plan would prevent inflation, and would contract the currency automatically, as the bondholders would be sure to turn their money into the treasury whenever they could not get more than three per cent for it. When money was scarce the bondholders could present their bonds, and withdraw their money from the treasury, and put it in circulation. So the plan would be automatic as long as the bondholders allowed the law of supply and demand to take its course. The objections I see to Johnson's plan are that the bondholders would have it in their power to control the

currency as they wished. As the law stands, financiers sometimes keep money hoarded in order to keep interest high. In New Zealand, before the government passed the "Loans To Settlers" act, the bankers used to send money to Australia and invest it at a lower rate of interest than they could get in New Zealand in order to keep interest high at home. A combination of financiers can often afford to keep part of their money idle without loss as they can get higher interest on what is invested by so doing; and it often pays them to do so in order to affect prices. How much more temptation they would have to keep their money idle when it was needed in circulation if the people were taxed to pay them three per cent on their idle money? Then capitalists are very often timid and prefer low interest on government bonds to considerably higher on other security, and many of them would hold the bonds when they could get higher interest by loaning their money. His plan is founded upon the same principles as mine except that his plan was devised to keep interest high, while mine would prevent interest from rising, and even hoarding money could not affect the rate of interest, with my plan in operation.

His plan was to tax the people to keep money idle when too much was in circulation, and he seems to have taken it for granted that

financiers would not interfere with the law of supply and demand. While his plan would tax the people to pay interest on bonds, mine would furnish a large revenue by supplying the people with money at a lower rate of interest than they would otherwise have to pay. His plan would make it possible for the financiers to control the currency more completely than at present, except that they could not inflate it to such an extent that interest would fall below 3%. Then I do not think he had any plan for limiting the amount of bonds to be issued. He would pay capitalists for putting their money into the treasury. I would make them pay for drawing money from the treasury.

I can only see one reason why Mr. Johnson could have proposed such a plan, and that is that he accepted Mr. George's theory that "wages and interest rise and fall together."

All reformers who wish to raise wages must have a clear understanding of economic laws, or, like Mr. Johnson, they will be advocating measures on the one hand that will raise wages, and offset all the good they do by advocating measures that will raise interest and lower wages.

Henry George understood the law of distribution as far as it affected the landlord on one side, and the undivided shares of laborer and capitalist on the other. His remedy for

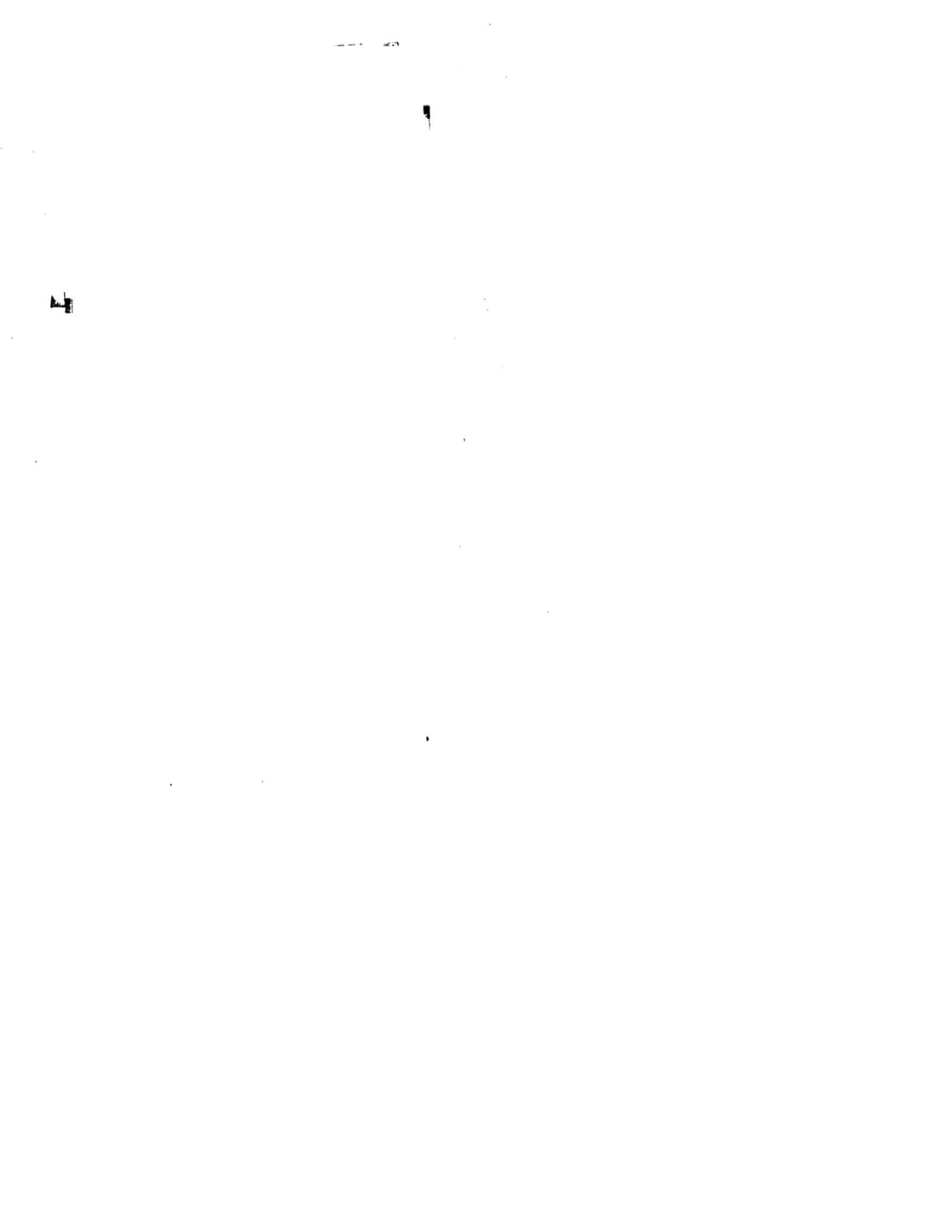
the evils and injustice of landlordism is the best and most practical ever offered and is gaining steadily in popularity. It is being partly applied in several countries, and no doubt it will continue to gain until the right of every man to the use of the earth is recognized the world over. Most Socialists favor the Single Tax, but have been kept from joining the Single Taxers by the false theories the latter hold in regard to the relations of labor and capital. If I have been successful in pointing out the true laws of distribution, and also in showing how the ideals of the Socialists can be realized by a practical method that does not interfere with economic law, the obstacles are removed that keep these two schools of reformers separate. If my solution of the money problem is accepted by the advocates of money reform, the way it harmonizes with Single Tax principles should make it easy for money reformers to accept the other reforms I propose. With the land and money problems both solved there would be work at high wages for all; but to make it a certainty we can substitute work for all at a minimum wage for charity. Even the dullest can understand that if the government was prepared to hire all who applied for work at a minimum wage that the problem of the unemployed is solved. Even if the minimum wage was very low at first, it could be increased as the increasing

prosperity, sure to follow the adoption of the other two reforms, brought more money into the treasury. It would be a start towards the co-operative commonwealth of the Socialist, and if the government ever proved itself more capable than individuals at managing industry, the co-operative commonwealth would evolve naturally from that start; but unless the government proved itself the more capable, industry would continue to be carried on by individuals.

Now, Reader, do you approve of my plan, and are you ready and willing to help to carry it out? If a number approve, we should organize to carry it out. I would like to hear from you anyway, whether you approve or not; and a card or letter addressed to the author at Fairhope, Alabama, will find me.

THE END.





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