Problems in American Democracy

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PROBLEMS IN AMERICAN DEMOCRACY

BY

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EDITOR OF "READINGS IN AMERICAN DEMOCRACY."

Problems are the growing pains of civilization, offering opportunities for personal achievement and pointing the way to national progress.

TO

My Mother

WHOSE NAME APPEARS IN NO HALL OF FAME, BUT WHOSE LIFE IS AN UNBROKEN RECORD OF SERVICE TO HER HOME AND TO HER COUNTRY [Blank Page]

PREFACE

There is an increasing demand for a textbook which will bring the student into direct contact with the great current issues of American life, and which will afford practical training to those who soon must grapple with the economic, social, and political problems of our own time. It is with the hope of meeting such a demand that this text has been prepared.

The plan of the book calls for a word of explanation. It is poor pedagogy to expect the student to attack the defects of American life, and at the same time to place in his hands a book which deals predominantly with the mechanism of government. As well send a boy to a hardware store to buy tools before he is told whether he is to make a mouse-trap or a boat. Furthermore, to spend much more time on the mechanism of government than on the actual problems of democracy is a mistake in emphasis. Government is a means, not an end. It is a tool by means of which we attack and solve our problems.

Therefore the student of this text begins, not with the mechanism of government, but with the historical background of American democracy, its origin, development, and promise for the future. Following this is a brief survey of the economic life of the nation, because that economic life constitutes the fundamental basis of our problems. Considerable space has been devoted to a problem growing directly out of economic conditions, _i.e._ the question of social justice or industrial reform. This is the most pressing question before any modern people, but strangely enough one which heretofore has been neglected by our schools.

Because they tend to arise primarily from a bad economic situation, such social problems as industrial relations, health in industry, and immigration are next considered. From social problems the text passes to the economic and social functions of government, and thence to the question of making government effective. The mechanism of government has been placed last, and for the reason already given, _i.e._ because a knowledge of the framework of government is valuable only after the citizen knows something of the needs which that mechanism must be made to fill.

It has not been easy to compress into a single volume the most important of our national problems. Obviously, a rigid selection has been necessary. In this selection the aim has been to discuss the more important issues of American life, whether economic, social, or purely political. In dealing with these issues, the attempt has been made to keep in mind the student's previous preparation; on the other hand, the civic demands which the future will make upon him have not been ignored. Some of the problems are difficult, but they are also of vital importance. Very shortly the student will be confronted, in his everyday activities, with such puzzling matters as socialism, the control of immigration, and taxation reform. If the school does not prepare him to grapple with these questions intelligently, he can only partially fulfill the obligations of citizenship.

Throughout the text the aim has been to go directly to the heart of the problem under consideration. The student is not burdened with a mass of data which would prove confusing, and which would be out of date before he is out of school. Instead, an effort has been made to outline, first the essential nature of the problem, and second the fundamental principles which affect its solution. Care has been taken to cultivate the problem attitude, and to encourage the spirit of independent investigation and open-minded judgment on the part of the student.

It goes without saying that the success of this book will depend largely upon the use which the teacher makes of it. The text aims to supply the basic facts and the fundamental principles involved in specific problems, but the teacher must interpret many of those facts and principles, and ought, in addition, to furnish illustrative material. The book is not intended to be an encyclopedia, but rather a suggestive guide.

The text covers the fundamentals of three distinct fields: economics, sociology, and government. Sufficient reference and topic work is offered to enable teachers to expand the text along particular lines. Thus Part II might serve as a nucleus around which to build up a special course in economics, while Part III would serve as a basis for a similar course in applied sociology, if for some reason it were not feasible to take up other parts of the book.

Though the text is the result of the coöperative efforts of a considerable number of specialists, its treatment of the problems of American life is neither dogmatic nor arbitrary. The effort has been to treat all of our problems sanely and hopefully, but at the same time to make it clear that many of these questions are still unsettled and the best method of disposing of them is yet hotly debated. This fact has strongly influenced the manner in which the problems have been treated.

TOPICS AND READINGS

Following each chapter are suggestions for work to supplement the text. These suggestions are of six kinds, and are intended to meet a variety of needs.

A number of easy questions on the text is first supplied.

Following these is a number of required readings to supplement each chapter of the text. The student may be asked to read a single chapter from Williamson's _Readings in American Democracy_, collected and arranged so as to furnish in compact form and in a single volume supplementary material which otherwise the teacher would have to find in a number of separate books. In case the use of the _Readings_ is not feasible, some or all of the alternative required readings may be available.

The required readings are followed by a number of questions thereon. Questions on the material contained in Williamson's _Readings in American Democracy_ will be found at the end of each chapter in that volume; questions on the required readings cited as alternative to this volume will be found at the end of each chapter in the text.

Topic work is provided in two groups. Topics in the first group form a link between the text and the everyday experience of the student on the one hand, and between the activities of the student's local community and national problems on the other. The student is called upon, for example, to investigate the attitude of the local press toward controversial questions, or to examine the administration of local charitable relief. Topic work of this sort not only quickens the interest of the student, but it encourages original investigation and independent thought. It lets the student know what is going on in his community, and it informs individuals and institutions beyond the school that this agency is beginning to connect with the problems of the municipality, state, and nation. This sort of topic work also allows the student to test the accuracy of the text, and to interpret local conditions in the light of broad, national tendencies.

The second group of topics contains material for report work. In the case of practically all of these topics, the student is referred specifically to books and other publications.

Beginning with Chapter XVIII of the text, the topics are followed by a series of questions for classroom discussion. Some of these may be turned into classroom debates. Others allow the student to challenge statements in the text. A few of these questions have never been satisfactorily answered by anyone, yet the student must face them in the world outside the school, and it cannot be time wasted to understand their content now.

ACKNOWLEDGMENTS

In the preparation of this text the author has received valuable assistance from a number of sources. Though such assistance in no way diminishes his responsibility for the shortcomings of the book, the author desires here to acknowledge the aid extended him.

The entire manuscript has been carefully worked over and criticized by Clarence D. Kingsley, Chairman of the Commission on the Reorganization of Secondary Education. Payson Smith, Commissioner of Education for the State of Massachusetts offered valuable suggestions in connection with certain parts of the manuscript. The thanks of the author are also due to L. L. Jackson Assistant Commissioner of Education for the State of New Jersey.

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THAMES ROSS WILLIAMSON.

Cambridge, Mass.

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CONTENTS

PROBLEMS IN AMERICAN DEMOCRACY

PART I--FOUNDATIONS IN AMERICAN DEMOCRACY

CHAPTER I

THE BACKGROUND OF AMERICAN DEMOCRACY

1. THE MEANING OF NATIONAL GREATNESS.--We apply the term greatness to nations that have made substantial contributions to civilization. By civilization is meant a well-rounded and highly developed culture, or, to say the same thing in different words, an advanced state of material and social well-being.

Civilization is so vast and so many-sided that it may receive contributions in very diverse forms. The invention of the hieroglyphic system of writing is among the leading achievements of ancient Egypt, but the art and literature of Greece have been no less conspicuous in the onward sweep of human progress. The promotion of the science of navigation by the Phoenicians, and the development of law and architecture by Rome, illustrate a few of the forms in which peoples may confer marked benefits upon the world. The advancement of music and painting by Italy, France, and other European nations, and the application and expansion of the idea of parliamentary government by England, are further examples of ways in which nations may earn for themselves the title of greatness.

2. THE CONDITIONS OF NATIONAL GREATNESS.--In order that a nation may become great, _i.e._ make some distinct contribution to civilization, two conditions must be fulfilled.

The first condition of national greatness is that the land under that nation's control must be encouraging to man's honest, helpful efforts. [Footnote: As used in this chapter the term "land" is held to include not only such natural resources as soil, minerals, forests, and bodies of water, but climate as well.] The vigorous Scandinavians have made great advances in inhospitable Iceland and Greenland, the French have reclaimed an important section of Algeria, and the British have worked wonders with some of the barren parts of Australia; nevertheless, it is with great difficulty that prosperous communities are developed in lands relatively barren of natural resources, or unusually severe in climate.

A high and stable civilization has rarely arisen in the tropics, because there the overabundance of Nature renders sustained work unnecessary, while the hot, enervating climate tends to destroy initiative and ambition. It is no accident that the greatest nations of modern times are located chiefly within the stimulating temperate zones, where Nature is richly endowed, but where, too, her treasures are rarely bestowed upon those who do not struggle consistently for them.

The second condition of national greatness is an intelligent and industrious population, willing to abide by the law, and devoted to the building of homes. The combination of an unpromising land and an inferior population effectually prevents the rise of a high civilization. And just as the choicest of men can do relatively little in an unfriendly land, so the most promising of countries may be despoiled or temporarily ruined by a slothful or lawless population.

From the standpoint of civilization, the best results are obtained when a virile and law-abiding people exercise control over a land rich in natural resources and possessed of a stimulating climate. France and Great Britain in Europe, and Canada and the United States in North America, are examples of great nations which have been built up in such lands and by such peoples.

3. THE ATTRACTIVENESS OF NORTH AMERICA.--It will be interesting to examine North America in the light of the two conditions of national greatness discussed in the preceding section. We may note, first of all, that by far the greater part of the territory now comprising the United States and Canada is distinctly favorable to settlement. This territory lies almost entirely within the temperate zone: it has unattractive spots, but in general it is neither so barren of resources as to discourage the home-maker, nor so tropical in its abundance as to reward him without his putting forth considerable effort. Particularly within the bounds of the United States is a well-balanced national life encouraged by the diversity of soils and the wide variety of climate. [Footnote: For a fuller discussion of the natural resources of the United States, see Chapter VI.] Certainly the continent of North America fulfills the first condition of national greatness.

4. THE COMING OF THE EUROPEAN.--The discovery of America in 1492 opened a new era in world history. The nations of western Europe were disappointed when their earlier explorers found the way to Cathay blocked by a new land-mass, but the Spanish discovery of treasure in Mexico and South America soon turned disappointment into keen interest. No magic palaces or spice islands were found, but there were revealed two virgin continents inviting colonial expansion on a scale previously unknown. Of the European powers which at various times laid claim to parts of the New World, Spain, France, Holland, and England occupy significant positions in the background of American democracy. We may briefly notice the influence of each of these four powers upon America.

5. SPAIN.--Though the Spanish were the first in the field, the motives of the colonists limited their ultimate success in the new land. The earlier Spaniards were missionaries and treasure-seekers, rather than home builders and artisans. The early discovery of great quantities of gold and silver had the effect of encouraging the continued search for treasure. In this treasure-quest, often fruitless, the Spanish practically confined themselves to Mexico and the region to the south. In these areas they did valuable work in Christianizing and educating the natives, but little industrial progress was made. Except for the missionary work of the Spanish, their earlier colonization was largely transient and engaged in for the purpose of exploitation.

6. FRANCE.--France disputed the claim of Spain to North America soon after the opening of the sixteenth century. The French attempted to settle in Florida and in South Carolina, but the opposition of the near-by Spanish forced the newcomers to leave. In 1524 Verrazano explored the North Atlantic coast for the French, and ten years later Cartier sailed up the St. Lawrence and founded the claim of France to that section of the New World.

Following the example of Spain, France dispatched missionaries to the New World to convert the Indians. Soldiers and trappers were sent out to develop the valuable fur trade by the establishment of widely

separated forts and trading posts. But the French settlers had no popular lawmaking bodies, being completely under the power of the king. Only along the St. Lawrence, where agricultural colonies were planted, did the French really attach themselves to the soil. Elsewhere there were few French women and therefore few normal French homes, and when in 1763 all of the French possessions east of the Mississippi were ceded to England, it was largely true that the French colonies had not yet taken root in the country. Infinite courage, devotion, and self-sacrifice were ultimately wasted, largely because of the lack of homes, the absence of self-government, and the failure to develop an industrial basis of colonization.

7. HOLLAND.--The Dutch became aware of the commercial possibilities of the New World when in 1609 Henry Hudson discovered the river which bears his name. Trading posts were soon established in the neighborhood, and in 1621 the West India Company was given full authority to plant colonies in New Netherland. A brisk trade in furs developed, but though the Company grew rich, the colonists were not satisfied. The agriculturists along the Hudson had the benefit of a fertile soil and a genial climate, but they operated their farms under a feudal land system which allowed an overlord to take most of their surplus produce. Moreover, the Dutch governors were autocratic, and the settlers had little voice in the government of the colony. Loyalty to Holland waned as the Dutch saw their English neighbors thriving under less restrictive laws and a more generous land system, so that when in 1664 the colony passed into the possession of the English, the majority of the settlers welcomed the change.

8. ENGLAND.--The Spanish had been in the New World a century before the English made any appreciable impression upon the continent of North America. In 1583 Sir Humphrey Gilbert had made an unsuccessful attempt to found a colony on the coast of Newfoundland, and a few years later Sir Walter Raleigh's venture at Roanoke Island proved equally disastrous. Colonization was retarded until 1588, in which year England's defeat of the Spanish Armada destroyed the sea power of her most formidable rival. The English may be said to have made serious and consistent attempts at colonization only after this event.

Like France, England desired to set herself up as a successful colonizing rival of Spain. Impelled by this motive, the earlier English adventurers sought treasure rather than homes. But the high hopes of the early English joint stock companies were not justified. Those who had looked to America for treasure were disappointed: no gold was forthcoming, and such groups as the Jamestown settlers of 1607 very nearly perished before they learned that America's treasure-house could be unlocked only by hard work. In spite of heavy investments and repeated attempts at colonization, these first ventures were largely failures.

9. THE COMING OF THE HOME-MAKER.--It may truly be said that the seeds of national greatness were not planted in America until home-making succeeded exploitation by governments and joint stock companies. Home-making received little or no encouragement in the early Spanish, French, and Dutch colonies. Almost from the first, England allowed her colonies a large measure of self-government, but it is significant that these colonies made little progress so long as they were dominated by joint stock companies intent upon exploitation. It was only when individuals, and groups of individuals, settled independently of the companies that the colonies began to thrive. The

first really tenacious settlers on the Atlantic seaboard were groups of families who were willing to brave the dangers of an unknown land for the sake of religious freedom, economic independence, and a large share of self-government. It was with the coming of these people that our second condition of national greatness was fulfilled.

10. GROWTH OF THE ENGLISH COLONIES.--The English annexation of New Netherland in 1664, and the concessions of the French in 1763, left the English in undisputed possession of the greater part of the Atlantic seaboard. The English colonies in this area grew with astonishing rapidity. Cheap land, religious freedom, and the privilege of self-government attracted settlers from all parts of northern Europe. At the close of the seventeenth century there were 260,000 English subjects in North America; in 1750 there were approximately 1,000,000; and in 1775 there were probably 3,000,000.

Although in most sections the dominant element was of English extraction, other nationalities contributed to the population. Along the Delaware, Swedes were interspersed with the English, while in Pennsylvania there were large groups of Germans. Numerous Dutch settlers had continued to live along the Hudson after New Netherland had passed into English hands. Some of the most frugal and industrious of the settlers of Georgia and South Carolina were French Huguenots, while along the seaboard and inland the Scotch-Irish were found scatteringly in agriculture and trade. Such was the composition of the people who were destined to begin an unexampled experiment in democracy, an experiment upon the successful termination of which rests our chief claim to national greatness.

QUESTIONS ON THE TEXT

1. What is meant by civilization?

2. What two conditions must be fulfilled in order that a nation may become great?

3. In what way does America fulfill the first condition?

4. Discuss the character of the early Spanish colonization.

5. What were the chief reasons for the failure of the French in America?

6. What were the chief defects of the Dutch colonial system in America?

7. Compare the earlier English colonization with that of Spain, France, and Holland.

8. When were the seeds of national greatness planted in America?

9. Who were the first really tenacious settlers on the Atlantic seaboard?

10. Outline the growth of the English colonies.

11. Upon what does our chief claim to national greatness depend?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy,_ chapter i.

Or all of the following:

2. Bogart, _Economic History of the United States,_ chapter ii.

3. Coman, _Industrial History of the United States,_ chapter i.

4. Huntington and Gushing, _Principles of Human Geography,_ chapters i and xii.

5. Smith, _Commerce and Industry,_ introduction.

QUESTIONS ON THE REQUIRED READINGS

1. Discuss the statement, "Civilization is a product of adversity." (Smith, page 2.)

2. What is the effect of tropic abundance upon civilization? (Smith, page 2.)

3. What is the relation of efficiency to climate? (Huntington and Cushing, page 6.)

4. In what way is civilization related to density of population? (Huntington and Cushing, page 10.)

5. What is an ideal climate, and where is such a climate found? (Huntington and Cushing, page 254.)

6. How does national progress depend upon beasts of burden? (Smith, page 8.)

7. Name some of the political motives of colonization in America. (Bogart, pages 29-30.)

8. Name the chief religious motives of colonization. (Bogart, page 30.)

9. What were the chief economic motives of colonization? (Bogart, pages 31-34.)

10. Why did the English finally prevail in the struggle for the Atlantic seaboard? (Coman, pages 19-21.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Check up your own experience carefully in order to determine during what season of the year you work most effectively. What light does your answer throw upon Topic 5?

2. To what extent is the climate of your section favorable to an

energetic life? To what extent, if to any, is it discouraging to initiative and ambition?

3. Trace the influence of the geography of your section upon the economic life of your community.

4. The nature of civilization.

II

5. Relation of civilization to climate. (Huntington, _Civilization and Climate,_ pages 148-182.)

6. The relation of cheap food to the growth of population. (Carver, _Sociology and Social Progress,_ pages 235-243.)

7. The effect of desert life upon health and spirits. (Carver, _Sociology and Social Progress,_ pages 273-275.)

8. Effect of the climate of North America upon persons of European descent. (Bullock, _Selected Readings in Economics,_ pages 1-22.)

9. The influence of the Appalachian barrier upon American colonial history. (Semple, _American History and Its Geographic Conditions_ chapter iii.)

10. The Spanish in America. (Consult any standard history text.)

11. The French in America. (Consult any standard history text.)

12. The Dutch in America. (Consult any standard history text.)

13. The English in America. (Consult any standard history text.)

14. The qualities of an ideal people. (Carver, _Elementary Economics,_ chapter iv.)

CHAPTER II

THE ORIGIN OF AMERICAN DEMOCRACY

11. THE NATURE OF GOVERNMENT.--A government may be defined as an agency through which the purposes of a state or nation are formulated and carried out. This agency develops where men live in groups. One of the chief objects of government is to adjust individual interests, or, to say the same thing in slightly different words, to control members of the group in their social relations.

Where groups are small and culture is at a low level, government may consist in little more than the arbitrary rules of a self-appointed chieftain. From this stage there are numerous gradations up to the great complex governments of the leading nations of to-day. With the origin and general development of government we are not here concerned, and we may accordingly confine our attention to those types

of modern government which throw light upon the development of American democracy.

12. THE ABSOULUTE MONARCHY.--An absolute monarchy may be defined as a government in which supreme power or sovereignty is lodged in one individual. This monarch holds his position for life, generally with hereditary succession. Often the absolute monarchy arose out of the ancient chieftainship, when, as the result of territorial expansion and cultural development, the chief of a group of tribes became the king of a settled and civilized people. The absolute monarchy existed in most of the countries of Europe previous to the end of the eighteenth century. In its most extreme form the absolute monarchy rested upon the claim of the monarch that he ruled by "divine right," _i.e.,_ that God had authorized him to rule. France in the era of Louis XIV is one of the best known examples of a modern nation ruled by a "divine right" monarch.

13. THE LIMITED MONARCHY.--When a monarch has been restricted in his powers a limited or constitutional monarchy is said to exist. Almost always the establishment of a limited monarchy has been preceded by a series of struggles between king and people. In many cases these struggles have been precipitated or intensified by the monarch's abuse of power. A striking example is offered by English history. As the result of his arbitrary rule, King John was in 1215 obliged to sign the Magna Charta, by which act he gave up many important powers. The limits thus set upon the kingly power were affirmed and extended by the Petition of Right of 1628 and by the Bill of Rights of 1689. A similar limiting process has gone on in other countries, either by the framing of constitutions, or by the enlargement of the powers of legislatures, or by both methods. To-day the absolute monarchy is practically unknown among civilized nations.

14. THE REPUBLIC.--The republic is a form of government in which ultimate power or sovereignty resides with the people as a whole rather than with a single individual. Instead of a monarch there is generally an elective president, with varying powers. The republic is a very old form of government, but in the republics of Greece, Rome and Venice the powers of government were exercised by a class composed of a small minority of the people. In modern republics a larger proportion of the adult population participates in government.

A republic may arise in any one of several ways, but most of the republics of modern times have grown out of monarchical conditions, either directly or indirectly. Our republic arose as a reaction against English monarchy, while the French republic came into being as the result of the destruction of a monarchical government. Most of the republics of Latin America date from the throwing off of the Spanish yoke in the first half of the nineteenth century. More recently, the World War has given rise to a number of European republics, composed of peoples formerly under the control of monarchical governments.

15. DEMOCRACY AS A POLITICAL IDEA.--The term democracy is derived from two Greek words which taken together mean "control by the people." Strictly speaking, democracy is a _form_ of government only where a small group governs itself directly, _i.e.,_ without making use of the representative device. This "pure" democracy, such as existed in the early New England town, becomes a representative democracy, or a republic, when a greater population and an increasing political complexity require the people to act through their representatives,

rather than as a body. In the sense that democracy is popular control, the term democracy may conceivably be applied to any form of government. The present government of Great Britain, for example, is technically a limited monarchy, yet the gradual extension of popular control has made it one of the most democratic governments in the world. Nevertheless, the modern republic is so generally associated with the democratic movement that many authorities speak of a democracy as identical with a republic. For the time being we may use the term democracy to describe a form of government in which considerable control is exercised by the people. More briefly, democracy may be thought of as self-government.

16. WHY DEMOCRACY DEVELOPED IN AMERICA.--There are four reasons why democracy developed early in America.

The first is to be found in the conditions of pioneer life in the colonies. The wilderness forced self-government upon the settlers. Clearing the forests, subduing the Indians, and conquering animal foes was stern work, which weeded out the indolent and inefficient, and rewarded the capable and self-reliant. Pioneer conditions did not encourage a cringing or submissive spirit, but fostered independence and individualism. The spirit of equality tended to become a dominant feature of American life, for despite the existence of social classes, the great majority of the population had to rely for their living upon their own efforts. Under such conditions self-reliance and self-government were natural developments.

The selected character of the colonists is a second reason for the rise of democracy in America. Restless spirits who had chafed under the restraints of monarchy in Europe, thronged to the new land. Once here they often found the older American communities intolerant, and so struck out into the wilderness to found new and, to them, more democratic colonies. The founding of Rhode Island by Roger Williams, and the settlement of the Connecticut valley by Thomas Hooker, illustrate this tendency.

It should be remembered, thirdly, that the English colonists brought with them very definite ideas as to the rights of man. The concessions granted by the Magna Charta were made an essential part of their political philosophy. The belief that all men were born free and equal, and that government derives its just powers from the consent of the governed, became prominent in early American politics. Where the democratic tendencies of the settlers were reinforced by such traditions, an oppressive government could not last. In Carolina in 1670, for example, an attempt to set up an undemocratic government failed, and when half a century later a similar attempt was made in Georgia, the settlers objected so ardently that the founders of the colony were obliged to grant the privilege of self-government.

A fourth explanation of the rise of democracy in America is that, left to themselves, the settlers came to feel that self-government was morally right. Largely removed from the traditions of monarchy, they soon realized the elemental significance of government. Seeing government as a device to help people get along together, they concluded that that government is best which most helps the masses of the people. The existence of a British monarch was a small factor in the everyday life of the early settlers, and from this it was a short step to asserting that his control over them was unjust. Living under primitive economic conditions, the minds of the people turned

naturally to freely formed agreements as a basis of group action. Under such conditions democracy appeared to the colonists as moral, just, and natural.

17. APPLYING THE DEMOCRATIC IDEA.--Partly because of the isolation of early American life, and partly because England was busy with European politics, the settlers were left relatively free to work out their ideas of democracy. The Pilgrims had not yet set foot upon the new land when they drew up the Mayflower Compact, by the terms of which they agreed to establish a pure democracy in their new home. In 1639 the inhabitants of three Connecticut towns came together in a mass meeting, and drew up the Connecticut Fundamental Orders, which many authorities regard as the first written constitution in this country. Aside from the fact that the Orders created a small republic in the heart of the wilderness, they are of importance because they issued directly from the people, without suggestion from, or direction by, any outside agency. Elsewhere in New England, too, local self-government was a spontaneous growth. Usually the settlers grouped themselves in small, compact communities known as towns, the freemen coming together in the town meeting for the purpose of passing laws and electing officials. The town meeting constituted a pure democracy, in which the freemen governed themselves consciously and directly.

18. SPREAD OF THE REPRESENTATIVE IDEA.--The principle of representative government appeared very early in English history, expressing itself most clearly in the houses of Parliament. The principle was early transplanted to America, for in 1619 we find the London Company establishing in Virginia a House of Burgesses, the first representative assembly in the New World. The representative democracy spread rapidly through the colonies, in many cases replacing the pure democracy as a form of local government. In Massachusetts Bay, for example, the population of the colony became so dispersed, and the complexity of its government so great, that it was necessary for most freemen to remain at home, and to content themselves with choosing a small number of individuals to represent their interests. These representatives gathered in the General Court and transacted the business of the colony.

19. THE SEPARATION OF POWERS.--As government develops in scope and complexity, there is a tendency for the agents of government to specialize in various types of work. A more or less recognizable separation of the governmental machinery into legislative, executive, and judicial branches had long been a feature of English government. Early in the seventeenth century this principle was transferred to the government of the English colonies in America. There was established in each colony a legislative branch for the enactment of laws, an executive branch to see that the laws were enforced, and a judicial branch for the interpretation of the laws. This separation of functions was more definite in America than in England because the jealousy existing between colonial legislature and colonial executive tended sharply to separate their powers. In America, too, the judiciary was more clearly an independent branch of government than in England.

20. THE COLONIES AS SELF-GOVERNING STATES.--It has often been said that for a considerable period prior to the American Revolution, the thirteen colonies were in reality self-governing states. For most practical purposes they were independent, indeed, some American patriots insisted that they were only nominally subject to England. In

each colony there was an assembly chosen by a restricted number of voters. This popular assembly championed the cause of the colonists against the governor, who in most of the colonies was primarily an agent of the Crown. After the middle of the eighteenth century, the struggles between assembly and governor increased in number and in intensity, and victory rested more and more often with the assembly. [Footnote: For the similarities existing among the various colonial governments see Chapter XXXIX.]

21. EFFECT OF THE REVOLUTION UPON AMERICAN GOVERNMENTS.--The Revolution did not greatly affect the character of American governments. Democracy, at first weak and ill diffused, had been spreading steadily during the preceding century, and when at last the break with England came, it found the states trained in self-government and able to conduct their own affairs. In many cases the Revolution simply erased the name of the king from documents and institutions already American in spirit and character. The states either retained their old charters as constitutions, as in the case of Connecticut and Rhode Island, or framed new constitutions based upon the experience of colonial government. The popular legislative assembly was everywhere retained. The common law of England continued in force, and the system of courts was retained in practically its pre-Revolution form. The basis of state government had been laid long before the Revolution, the new states simply accepting the basic political principles with which they, as colonies, had long been familiar. The defeat of English claims was only an incident in the irresistible progress of American democracy.

QUESTIONS ON THE TEXT

1. What is one of the chief objects of government?

2. What is the essential feature of the absolute monarchy?

3. Give an example of a country once ruled by a "divine right" monarch.

4. Explain the difference between an absolute and a limited monarchy.

5. What is the distinction between a monarchy and a republic?

6. Name some modern republics and explain their origin.

7. Explain clearly the nature of political democracy, and show its relation to the monarchy and to the republic.

8. What are the four reasons for the rise of democracy in early America?

9. Trace the early application of the democratic idea in America.

10. Where in America was the representative principle first applied?

11. Explain the principle of the "separation of powers."

12. To what extent were the colonies self-governing states?

13. Explain the effect of the Revolution upon American governments.

REQUIRED READINGS

1. Williamson, _Readings in American Democracy,_ chapter ii.

Or all of the following:

2. Bryce, _Modern Democracies,_ vol. i, chapters i and xii.

3. Beard, _American Government and Politics,_ chapter i.

4. McLaughlin, _Steps in the Development of American Democracy,_ chapter i.

5. Turner, _The Frontier in American History,_ chapter i.

QUESTIONS ON THE REQUIRED READINGS

1. What was the extent of democracy in the world a century ago? (Bryce, page 3.)

2. Why is the study of democracy increasingly important? (Bryce, pages 4-5.)

3. What is the fundamental significance of local self-government? (Bryce, pages 131-133.)

4. In what way has the advance of the frontier meant a steady movement away from the influence of Europe? (Turner, page 4.)

5. How did the frontier promote individualism? (Turner, page 30.)

6. What intellectual traits are fostered by pioneer life? (Turner, pages 37-38.)

7. Explain the significance of the Virginia House of Burgesses. (McLaughlin, pages 11-13.)

8. Discuss the character of the colonial governor. (Beard, pages 3-7.)

9. What were the chief powers of the colonial legislature? (Beard, page 8.)

10. Describe the colonial judiciary. (Beard, pages 12-14.)

11. What was the extent of the suffrage in colonial times? (Beard, pages 8-10.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Illustrate the nature of government by tracing the origin and development of a club or society of which you are a member, or with which you are familiar.

2. Early pioneer life in your community, with particular reference to social and economic conditions. (Consult local histories, or, where possible, interview an old settler in your section.)

3. Origin and development of local government in your section. (Proceed as with Topic 2.)

4. The origin of the first constitution of your State.

5. A classification of the present-day governments of the world on the basis of their democratic character.

II

6. Genesis of the limited monarchy. (White, _The Making of the English Constitution,_ pages 253-285.)

7. Origin and development of Parliament. (White, _The Making of the English Constitution,_ pages 298-322.)

8. Origin and development of the English judiciary. (White, _The Making of the English Constitution,_ pages 122-252.)

9. Historical evolution of democracy. (Bryce, _Modern Democracies,_ vol. 1, chapter iv.)

10. Theoretical basis of democracy. (Bryce, _Modern Democracies,_ vol. 1, chapter v.)

11. Difficulty of defining the term "democracy." (Bryce, _Modern Democracies,_ vol. 1, chapter iii.)

12. American political theory before the Revolution. (Beard, _Readings in American Government and Politics,_ pages 14-16.)

13. Contributions of the West to American Democracy. (Turner, _The Frontier in American History,_ chapter ix.)

14. Development of the General Court in Massachusetts. (Osgood, _The American Colonies in the Seventeenth Century,_ vol. i, pages 141-166.)

15. A Boston town meeting. (Beard, _Readings in American Government and Politics,_ pages 11-13.)

16. Local government in Virginia. (Bruce, _Economic History of Virginia in the Seventeenth Century,_ vol. ii, chapter xx. Beard, _Readings in American Government and Politics,_ pages 13-14.)

CHAPTER III

THE DEVELOPMENT OF AMERICAN DEMOCRACY

22. LOCAL VERSUS NATIONAL SPIRIT.--The outbreak of the American

Revolution proved that the colonies were so deeply attached to democracy that they were willing to fight for it. But the spirit which animated the Revolution was local, rather than national. The colonial protests which in 1776 reached their climax in the Declaration of Independence, had to do almost entirely with the rights of the colonies as individual states, and with the determination of those states to defend the principle of self-government. The war created thirteen practically independent states, among which the spirit of state sovereignty was much stronger than was the inclination to form an indissoluble union. The Revolution emphasized local and state interests rather than intercolonial coöperation, and however much the colonists appreciated local democracy in 1776, they had yet to learn to think in terms of a national patriotism. A brief review of the attempts at union before 1787 will serve to illustrate this important point.

23. EARLY ATTEMPTS AT UNION.--The first notable attempt at union was made in 1643, when Massachusetts Bay, Plymouth, Connecticut, and New Haven formed a league, chiefly for the purpose of mutual defense. This league was in force for forty years, and rendered effective service in the Indian wars.

In 1754 delegates from seven of the colonies met at Albany and adopted a plan of union proposed by Benjamin Franklin. The plan provided for a colonial army, the control of public lands, legislation affecting the general welfare, and the levying of taxes for intercolonial projects. In America Franklin's plan was regarded with considerable favor, but it was never given serious consideration by the British Parliament. The project fell through.

Still later (1765) delegates from nine of the colonies met in the Stamp Act Congress, for the purpose of drawing up a protest against the taxation policy of the mother country.

The two continental congresses may also be regarded as steps toward union. The first of these met in 1774 and concerned itself chiefly with a declaration of rights and grievances. The second (1775-1781) assumed revolutionary powers, and, with the consent of the people, exercised those powers during the greater part of the war period.

24. THE ARTICLES OF CONFEDERATION.--Nothing so clearly illustrates the sectional feeling of that era as the history of the Articles of Confederation. The Articles were adopted by the Second Continental Congress in 1777, but on account of the tardiness with which some of the states ratified them, they were not put into actual operation until March 1, 1781. By the terms of the Articles the states yielded some of their powers, the central government being given the right to declare war, borrow and coin money, establish post offices, and otherwise act for the general good. On the other hand, the Articles declared that "each state retains its sovereignty, freedom and independence, and every power, jurisdiction, and right which is not by this federation delegated to the United States."

Thus the new government was a confederation or league of states, rather than a federal government such as we have to-day. There was no national executive, and no judiciary. All authority was concentrated in a one-chambered congress, in which each state was represented by not fewer than two and not more than seven members. The delegates were

subject to recall by the legislatures of their respective states. Each state had one vote, which was determined by a majority of the state's delegates who were present when the vote was taken.

25. DEFECTS OF THE CONFEDERATION GOVERNMENT.--The government established by the Articles of Confederation had a number of grave defects. The fundamental difficulty was that the central government had no real authority or power. The Congress of the Confederation could reach individuals only through the action of the state governments, and these it could not coerce. Thus the Congress could declare war, and make requisitions upon the states for troops, but it could not enlist a single soldier. It could make laws, but had no power to enforce them. It could make treaties with foreign governments, but could not oblige the states to respect those agreements. The central government could not levy taxes, but was obliged to accept whatever sums the states chose to contribute. The Confederation government could not even protect itself, or the states, against violence. It lacked force, and without the ability to exert force, a government is a government in name only.

Not only did the central government fail to enlist the respect and support of the states, but it could not induce the states to respect or support one another. Congress had no power to regulate either foreign or domestic commerce, each state being free to control the commercial activities of its citizens as it saw fit In many cases the states engaged in trade wars, that is, they levied heavy duties upon the commerce of one another, or even refused to allow their citizens to buy goods from, or sell goods to, persons in neighboring states. Matters calling for unity of action and friendly coöperation, such as roads and canals, were ignored or neglected because of interstate jealousy. Whereas they should have united against the grave dangers of the period immediately following the war, the states often wasted time and energy in controversy and strife.

26. FAILURE OF THE CONFEDERATION GOVERNMENT.--The Confederation government, established in 1781, functioned weakly during the remaining two years of the war, and then declined rapidly in power and influence. The defects of the Articles could not be remedied, for amendment was by unanimous consent only, and on every occasion that an amendment was proposed, one or more states refused their assent.

According to John Fiske, the five years following the peace of 1783 constituted the most critical period in the history of the American people. Business was demoralized. Most of the states were issuing worthless paper money, and several of them passed laws impairing the obligation of contracts. In a movement known as Shay's Rebellion (1786-1787), a portion of the debtor class of Massachusetts attempted to prevent the collection of debts. Paper money depreciated so greatly that in many places it ceased to pass as currency. The central government could not raise money to meet its ordinary expenses, and in 1783 Congress was forced to flee Philadelphia to escape the wrath of some eighty Pennsylvania soldiers whom it could not pay.

Demoralization and civil strife at home were matched by ridicule and suspicion abroad. Congress could not pay the interest on the national debt. As early as 1783 our foreign credit was gone. Many European statesmen scoffed at the American government. France denied the existence of a general government in America. In England our diplomatic representatives suffered numerous humiliations. They were

told, for example, that the British would not relinquish the western forts promised us by the Treaty of Paris until our national government was able to force the several American states to observe the treaty.

27. OBSTACLES TO UNION.--There are three important reasons why the states failed to draw together into a firm union before 1787.

In the first place, each state considered itself a sovereign body, and of governments above and beyond itself it was naturally suspicious. Many of the Americans had regarded the British government as a super-government, imposed against the will of the American people, and maintained in spite of their protests. The Dominion of New England, which, prior to the adoption of the Articles of Confederation, had been the nearest approach to union, was recalled with anger and in fear. This plan, forced upon the Americans in 1686 by the king, united eight of the colonies under the rule of Governor Andros. The union was dissolved by the Bloodless Revolution of 1688, but the arbitrary rule of Andros was long cited by the Americans as proof of the despotic character of any government beyond that of the individual states.

A second explanation of the failure of the states to unite before 1787 is to be found in the social and economic differences existing among the states. Most of the inhabitants of New England were grouped in small, compact communities, and were engaged in shipbuilding and commerce, rather than in agriculture. There was an aristocratic group, but most of the people belonged to the middle class, and were simple and even severe in their tastes. In the middle colonies, on the other hand, most of the people were small farmers of mixed religious and racial character. Social classes existed to a considerable extent. Finally, the South was devoted to large plantations, cultivated by black slaves. Social lines were sharply drawn, and a genuine aristocratic class was already well formed.

A third reason for the weakness of the coöperative spirit among the states is to be found in the lack of means of transportation and communication. Travel was mostly confined to natural waterways, or to rude paths over which horses proceeded with great difficulty. As late as 1800 it often took a horseman longer to go from Boston to New York than it now takes to go by rail from New York to San Francisco and back again. There were no railroads in those days, no telephones, no telegraph, and practically no postal service. Life was primarily rural, even on the seacoast. Most interests centered about the local community, or at farthest, about the colony or state. In many sections there was little exchange of products or of ideas. From the resulting isolation there developed a strong feeling of localism or provincialism. Ignorance and suspicion of intercolonial affairs gave rise to misunderstandings, and emphasized differences and disputes which in themselves were unimportant. Thus jealousy and hostility often sprang up where mutual confidence and coöperation were sorely needed.

28. NEGATIVE FORCES FAVORING UNION.--The failure of the Articles of Confederation is one of the most discouraging chapters in the development of American democracy. And yet it is an indispensable chapter, for it demonstrated, far more convincingly than could any theoretical argument, that there must be one great American nation rather than thirteen or more unrelated republics. Six years of practical experience with the Articles of Confederation taught the absolute necessity of a strong central government. The weaknesses of

the Confederation government constituted the most spectacular of the forces favoring union in 1787, and yet these forces were negative in character: the states accepted the Constitution of 1787 not so much because they were attracted by it, as because they saw little chance of getting along without it.

29. POSITIVE FORCES FAVORING UNION.--It should be noted, on the other hand, that for a long period previous to the adoption of the Constitution of 1787, certain positive forces were impelling the states toward union. In their Old World homes most of the settlers had occupied somewhat the same social position, and had been used to somewhat the same economic conditions. This common background constituted, in their New World homes, a unifying force of great importance. Long before 1787, too, the great majority of the settlers were of English descent, speaking the English language, and, except for the Roman Catholics of Maryland, professing some form of Protestantism.

In spite of the numerous jealousies and rivalries among the various sections of the country, there were at work forces which tended to break down the spirit of localism or provincialism. Though the Revolution established thirteen separate states, the war had encouraged the Americans to feel that they were a single people with a common destiny. The soldiers of various sections had rubbed elbows with one another during the French and Indian wars, and during the Revolution. This had served to encourage a feeling of comradeship between the inhabitants of different communities. The population of the country was doubling every twenty years, and groups previously isolated were coming into contact with one another. Interstate coöperation was not only more necessary than ever before, but it was less difficult to bring about. Highways were being improved, and the postal service gradually extended, with the result that a more wholesome social life was made possible.

In an economic sense the American people were increasingly interdependent. Especially on the frontier many communities were still economically self-sufficing, but to an increasing extent the development of commerce and manufacturing was everywhere calling for a closer coöperation between various sections of the country. The Annapolis Convention of 1786, indeed, was called for the purpose of promoting commercial coöperation among the states. According to Professor Beard, the formation of the Federal Constitution itself may in large measure be traced to the desire throughout the country for interstate coöperation in industry and commerce.

30. AMERICAN DEMOCRACY IN 1787.--The constitutional convention of 1787 expanded American democracy from a local idea to a political concept of national proportions. But though this was an important step forward, American democracy had not yet been fully developed. Religious freedom, indeed, had been guaranteed by the Constitution, but the suffrage was still narrowly restricted. The adoption of the Constitution was due primarily to negative forces; the full development of the positive forces, upon which the ultimate integrity of the union rests, was to be delayed for almost a century. The states technically abandoned state sovereignty when they accepted the Constitution of 1787, but not until the Civil War had been won was permanent union assured. Most important of all, American democracy was in 1787 only a political concept. There was at that time no suspicion that democracy was later to be expanded into a philosophy of life,

applicable not only to purely governmental affairs, but to the individual in his economic and social relations as well.

QUESTIONS ON THE TEXT

1. Distinguish between local and national spirit in the Revolutionary period.

2. Describe the first notable attempt at union.

3. What plan of union was proposed by Benjamin Franklin in 1754?

4. Name several other early attempts at union.

5. Outline the character of the Articles of Confederation.

6. What were the chief defects of the Confederation government?

7. Describe the failure of the Confederation government.

8. Outline clearly the three important reasons for the failure of the states to unite before 1787.

9. Explain the phrase, "Negative forces favoring union."

10. To what extent was the constitutional convention of 1787 the result of positive forces?

11. Explain clearly the statement that in 1787 American democracy had not yet been fully developed.

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter iii.

Or all of the following:

2. Becker, _Beginnings of the American People_, chapter v.

3. Fiske, _The Critical Period of American History_, chapter iv.

4. Guitteau, _Government and Politics in the United States_, chapter xix.

5. McLaughlin, _The Confederation and the Constitution_, chapter xiii.

QUESTIONS ON THE REQUIRED READING

1. In what sense was Benjamin Franklin the first American? (Becker, pages 190-200.)

2. Describe the commercial warfare carried on by the several states during the critical period. (Fiske, pages 144-147.)

3. Explain why American credit in Europe failed during the critical period. (Fiske, pages 155-157.)

4. Describe the attempts to patch up the Confederation government. (McLaughlin, chapter xiii.)

5. Explain the statement that "division is sometimes the prelude to more effective union." (Becker, pages 189-191.)

6. What did the Alexandria Conference of 1785 accomplish? (Guitteau, page 215.)

7. What was the Virginia plan? (Guitteau, page 217.)

8. What was the New Jersey plan? (Guitteau, page 217.)

9. What was the "Great Compromise"? (Guitteau, page 218.)

10. What was the Three-Fifths Compromise? (Guitteau, pages 218-219.)

11. Describe the opposition to the ratification of the Constitution (Guitteau, pages 222-224.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Trace the beginnings of railroad transportation in your section, and describe the effect of improved methods of transportation upon the ability of different communities in your section to coöperate with one another. (Consult local histories.)

2. To what extent does the newspaper help you to understand the character and ideals of individuals beyond your community?

3. Contrast the telephone and the postal service as influencing the development of the coöperative spirit in the city. In rural districts.

4. To what extent would improved methods of transportation and communication lead to a closer coöperation between the rural and urban districts in your state?

5. To what extent has the economic interdependence of different members of your community led to a better understanding? To a closer identity of interests?

II

6. Difficulties of travel in colonial times. (Crawford, _Social Life in Old New England_, chapter _x_.)

7. Postal facilities in the colonial period. (Bogart, _Economic History of the United States_, pages 82-83.)

8. Diversity of economic interests among the colonies. (Bogart and Thompson, _Readings in the Economic History of the United States_, pages 29-42.)

9. Union under the Continental Congresses. (Beard, _American

Government and Politics_, pages 21-25.)

10. The delegates to the Constitutional Convention of 1787. (McLaughlin, _The Confederation and the Constitution_, pages 187-190.)

11. The work of the Constitutional Convention. (Beard, _American Government and Politics_, pages 44-53. See also any other standard text on American history or government.)

12. Madison's criticism of the Articles of Confederation. (Beard, _Readings in American Government and Politics_, pages 38-43.)

13. Hamilton's plea for a strong national government. (Beard, _Readings in American Government and Politics_, pages 47-49.)

14. The influence of economic interests upon the Constitution of 1787. (Beard, _An Economic Interpretation of the Constitution of the United States_, pages 324-325.)

15. The outlook for American democracy in 1789. (Bryce, _Modern Democracies_, vol. ii, chapter xxxviii.)

CHAPTER IV

ESSENTIALS OF AMERICAN CONSTITUTIONAL GOVERNMENT

31. THE AIM OF THIS CHAPTER.--The form of government established in this country by the Constitution of 1787 is known as a republic. A republic may be defined as a representative democracy, or, in the popular sense of the term, simply as a democracy. Now, to point out that a government is democratic does not necessarily mean that it is a sound government. Granting that self-government is morally right, the fate of a democracy will depend, partly upon the character of the people, and partly upon the nature of the governmental machinery through which that people expresses its will. The proof of democracy is in its workings. The aim of this chapter is not to pass judgment upon democracy, but rather to outline the essential characteristics of American constitutional government. When this background has been secured we shall be in a position to begin a detailed study of applied democracy, to point out its merits, to call attention to its defects, and to consider how and to what extent it may be improved.

32. STRENGTH.--American constitutional government is a strong government. The weaknesses of the Articles of Confederation were avoided in framing the Constitution of 1787. Whereas the Confederation government was really headless, the Constitution of 1787 provided for a strong executive. The Confederation Congress could not levy taxes, but the Congress of the United States has adequate powers in this regard. There can be no recurrence of one of the chief financial troubles of the Revolutionary period, for at the present time the several states may neither coin money nor emit bills of credit. The Federal government has exclusive control of foreign affairs, so that no state may individually enter into any agreement with a foreign power. The Federal Constitution is the supreme law of the land, and no state action may contradict it. Unity has given us strength, and great

crises, such as the Civil War and the World War, have ended by increasing that strength.

33. THE CHECK AND BALANCE SYSTEM.--A striking characteristic feature of American constitutional government is the check and balance system. By this system we mean all those constitutional provisions which divide and subdivide governmental power among various sets of public agents. [Footnote: For a fuller discussion of the check and balance system see Chapter XXXIX.]

This division of powers is threefold. First, there is a division of power between the Federal government and the governments of the several states. The states are obliged to act in concert on most questions involving the nation as a whole, but the Federal Constitution safeguards the rights of the states by reserving to them all powers not specifically delegated to the Federal government. Second, in both Federal and state governments, power is still further distributed among the executive, legislative, and judicial branches in such a way that each branch constitutes a check upon the other two. Third, in both Federal and state governments there is a division of power within each of the three branches of government. Thus both the President of the United States and the governors of the various states are at least partially controlled by subordinate executive officials, while in the legislative branch of both Federal and state governments the upper and lower houses constitute a check upon one another. In the case of both Federal and state judicial systems there is a division of jurisdiction.

34. THE CHECK AND BALANCE SYSTEM SECURES STABILITY.--American government is not only strong, it is stable. This stability is due chiefly to the admirable way in which different governmental agents are balanced against one another. The check and balance system renders us safe from the danger of anarchy, for though ultimate control is vested in the people, sufficient powers are entrusted to the governmental mechanism to protect it against popular passion. The system likewise protects us against despotism. So long as the Constitution endures, neither the Federal government nor the governments of the states may destroy each other. The undue concentration of political power is likewise rendered difficult by the division of power between the legislative, executive, and judicial branches of both Federal and state governments.

The significance of a properly applied check and balance system appears clearly when we compare our government with that of various other republics. In many of the ancient republics, for example, the powers of government were so unequally and so indefinitely divided that republican government degenerated either to despotism or to anarchy. Within the last century many Latin-American republics have modeled their governments after ours, and yet some of these republics are constantly threatened by either revolution or despotism. The explanation of this, according to Elihu Root, is that these republics have adapted our check and balance system so carelessly that they find it difficult, if not impossible, to maintain a really stable government. [Footnote: Here we are pointing out the fundamental merits of the check and balance system; later (Chapters XXXIV, XXXV, and XXXVI) we shall have occasion to notice some of the disadvantages of this system.]

35. THE RIGHTS OF THE INDIVIDUAL.--We have not purchased strength and

stability at the expense of personal freedom, for both Federal and state constitutions specifically safeguard the rights of the individual. The fundamental guarantees set forth in the Magna Charta, the Petition of Right, and the Bill of Rights were cherished by the American colonists, and in 1791 they formed the basis of the first ten Amendments to the Federal Constitution. Provisions similarly designed to safeguard individual rights are found in the constitution of every state in the Union. [Footnote: For an enumeration of these rights, see the first ten Amendments to the Federal Constitution, Appendix. Consult also the Bill of Rights in the constitution of your state.] From the beginning of our national history a fundamental principle of American government has been to allow the individual as much freedom of thought and action as is compatible with the general welfare.

36. CONTROL BY THE PEOPLE.--Under American constitutional government, sovereignty resides with the people as a whole, though the people act through their chosen representatives. There is no power in American government beyond that created or permitted by the people themselves. The suffrage, so narrowly restricted in the eighteenth century, has since widened to include the great majority of adults, both male and female. Elections are frequent, so that ill-chosen officials may not long abuse their position. The Initiative, the Referendum and the Recall are methods of popular control which in many sections are spreading. Constitutional amendment in the United States is not easy; on the other hand, if any considerable percentage of the voters evince a sustained desire for change, an amendment is the normal result. [Footnote: In Part IV of the text we shall consider the dangers of an over-extension of popular control; here it is only necessary to point out that American government is essentially government by the people.]

37. EFFICIENCY.--The division of functions between the Federal and state governments on the one hand, and between state and local governments on the other, provides a solid foundation for the economical administration of government.

The Federal government attends to most matters which are of national importance, and which cannot properly be looked after by the states individually. For example, foreign relations, the postal service, and the coinage of money, are Federal functions. The separation of Federal and state functions is not always clear, but such matters as contracts, property rights, crime, and education are probably best administered by the state. There is, similarly, no sharp dividing line between the functions of state and local governments, but at present it appears that the local authorities are the most efficient administrators of roads and bridges, water and paving, the elementary schools, and similar concerns.

The essential economy of this threefold division of functions is that each of the three sets of officials tends to concern itself with those matters with which it is best acquainted, and which are most advantageously administered by it.

38. UNITY.--The earlier European critics of our government declared that the division of powers between Federal and state governments would encourage civil strife. It is true that this division of powers has resulted in a decentralized rather than in a centralized form of government. It is equally true that the quarrel over states' rights was the fundamental cause of the Civil War. But that war settled the

question of states' rights once and for all, and there has never again been any serious question as to the proper status of states and Union. American democracy has been found compatible with unity.

Nor has the decentralized character of American government kept us from presenting a united front in foreign wars. The concentration of war powers in the hands of President Lincoln during the Civil War was matched by the temporary dictatorship wielded by President Wilson during the World War. In both cases, the national executive became, for the period of the emergency, as powerful and as efficient as the executive of a highly centralized monarchy. This ability to exhibit unity of control and singleness of purpose in war-time enables us to claim for our form of government one of the most important assets of the centralized monarchy.

39. THE SPIRIT OF PROGRESS.--Certainly one test of good government is the extent to which it renders the masses of the people happy and prosperous. American government has not yet exhausted the possibilities of helpfulness, but one of the chief aims of our political system is to encourage the individual in every pursuit which is legal and honorable. Lord Bryce has called America the land of Hope, because in spite of the defects of American government, a feeling of buoyancy and optimism is characteristic of our political institutions. America might also be called the land of Sane Endeavor, for we lend force and justification to our optimism by consistently working for the attainment of our ideals. To improve every condition of American life, and yet to work in harmony with the principles of constitutional government, that is our ideal. Progress must come through authorized channels, for, as Abraham Lincoln has said, "a majority, held in restraint by constitutional checks and limitations, and always changing with the deliberate changes of popular opinion and sentiment, is the only true sovereign of a free people, and whoever rejects it does of necessity fly to anarchy or despotism."

QUESTIONS ON THE TEXT

1. Upon what does the fate of a democracy depend?

2. Contrast the strength of our present government with the strength of the government established by the Articles of Confederation.

3. What is the check and balance system? Explain clearly.

4. Show how the check and balance system renders American government stable.

5. Why is stability not a feature of some of the Latin-American republics which have adapted our check and balance system?

6. What can be said as to the rights of the individual under American constitutional government?

7. To what extent is American government subject to popular control?

8. How does American government provide for a solid foundation for the economical administration of government?

9. What charge did the earlier European critics bring against American

government? Has history substantiated or disproved this charge? Explain.

10. Compare the American democracy with a monarchy with respect to efficiency in war-time.

11. Why may America be called the land of Hope? To what extent may it properly be called the land of Sane Endeavor?

12. What did Lincoln say as to the only true sovereign of a free people?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter iv.

Or all of the following:

2. Beard, _American Government and Politics_, chapter viii.

3. Bryce, _The American Commonwealth_, vol. ii, chapters c and cii.

4. Cleveland and Schafer, _Democracy in Reconstruction_, pages 48-66.

5. Root, _Addresses on Government and Citizenship_, pages 98-117.

QUESTIONS ON THE REQUIRED READINGS

1. What is meant by the doctrine of limited government? (Beard, pages 145-147.)

2. What are the two classes of constitutional limitations upon the Federal government? (Beard, pages 147-148.)

3. Describe the position of the judiciary in American government. (Beard, pages 164-165.)

4. What was the attitude of the republics of Greece and Rome toward the individual? (Root, page 98.)

5. Contrast this attitude with the "Anglo-Saxon idea." (Root, pages 98-99.)

6. Why is it important that a constitution be a written document? (Cleveland and Schafer, pages 54-S5.)

7. Why is it dangerous to suspend the constitutional guarantees of personal liberty? (Root, pages 114-115.)

8. What faults have philosophers and popular writers generally attributed to democratic governments? (Bryce, pages 613-614.)

9. To what extent are these faults attributable to American democracy? (Bryce, pages 614-629.)

10. Explain the capacity of our government to develop great vigor. (Bryce, pages 650-652.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make a study of a club or society of which you are a member, or with which you are familiar. To what extent does its organization illustrate the check and balance system?

2. Classify local or state officials in your commonwealth, in order to show differences in term and differences in the method of choosing them. To what extent do these differences constitute a check and balance system?

3. Make a list of the guarantees of personal liberty which are contained in the constitution of your state. Compare this list with similar lists made from the constitutions of other states. Compare the list with the first ten Amendments to the Federal Constitution.

4. Methods by which the constitution of your state may be amended.

5. Make a list of the chief public activities in your community or section. Which are local, which state, and which Federal? Do you believe that any of these functions could be more advantageously performed by some other division of government than that which is now performing it? Give reasons.

II

6. "Why democracy is best." (Tufts, _The Real Business of Living_, chapter xxxvii.)

7. Philosophy of the American constitutional system. (Beard, _Readings in American Government and Politics_, pages 49-53.)

8. The relation of Federal and state governments in the United States. (Guitteau, _Government and Politics in the United States_, chapter xxi.)

9. Framework of American government. (Bryce, _Modern Democracies_ vol. ii, chapter xxxix.)

10. The check and balance system. (Bryce, _Modern Democracies_, vol. ii, chapter lxiii. See also any standard text on American government.)

11. The theory of the separation of powers. (Beard, _Readings in American Government and Politics_, pages 138-140.)

12. The supremacy of Federal law. (Beard, _Readings in American Government and Politics_, pages 140-143.)

13. The meaning of liberty. (Bryce, _Modern Democracies_, vol. i, chapter vi.)

14. The meaning of equality. (Bryce, _Modern Democracies_, vol. i, chapter vii.)

15. A brief comparison of the American and European systems of government. (Bryce, _The American Commonwealth_, vol i, chapter xxv.)

16. American democracy contrasted with other democratic governments. (Bryce, _Modern Democracies, vol_. ii, pages 446-452.)

17. Democracy compared with undemocratic forms of government. (Bryce, _Modern Democracies_, vol. ii, chapter lxxiv.)

18. Efficiency of American democracy in the World War. (West, _The War and the New Age_, chapter x.)

CHAPTER V

THE PROBLEMS OF AMERICAN DEMOCRACY

40. NO GOVERNMENT IS PERFECT.--All government is a compromise, in that it is adopted or created for the purpose of harmonizing the interests of the individual with the interests of the group. The types of government are numerous, varying with the character of the group, and with the particular conditions under which it exists. But we know of no government which is perfect: all have shortcomings, some very serious, others less so. There is nothing to be gained, therefore, by debating whether or not American government is imperfect. A much more profitable question is this: What are the faults of American democracy, and how may they be eliminated or minimized? The most constructive work which the American citizen is called upon to do is to grasp the character of the problems confronting his country, and then to attempt their solution.

41. THE WIDENING CIRCLE OF PROBLEMS.--The last two centuries have constituted an age of rapid change and development in all of the major phases of civilization. There have been rapid shifts in population, particularly in the younger countries of the world. Important discoveries have greatly increased our knowledge of natural science; epoch-making inventions have revolutionized manufacturing, commerce and transportation. In every civilized land there have been readjustments of political beliefs, as well as important changes in intellectual, religious, and social standards. Such an age is peculiarly an age of problems: it is a period of change and stress, a time of readjustment, of adaptation to changed conditions, of growth, and of development.

We in America are confronted by an ever widening circle of problems, and this chiefly for two reasons. In the first place, we have felt the impact of those forces which for the last two centuries have been creating problems the world over. In the second place, the whole period of our national development has fallen within this age of change and readjustment This means that we have had to grapple with the problems common to all modern countries during a period in which the origin and development of American democracy have been creating purely domestic problems. These facts at least partially explain the growing importance of the problems of American democracy during the past century.

42. EFFECT OF AN ENLARGED SOCIAL CONSCIENCE.--Many of the issues of contemporary American life have come into prominence because we have enlarged the concept of democracy within the last century. The term democracy has come to imply, not merely a form of government, but actually a philosophy of life stressing justice and happiness for the individual, whether in his political, social, or economic capacity. The more humanitarian our view, the more situations calling for remedy fall within it. Child labor, to give a single example, was not generally considered an evil a century ago, but to-day an enlarged social conscience condemns it.

43. NECESSITY OF AVOIDING PATERNALISM.--The solution of many national problems implies an extension of government control. Now, it is not generally appreciated that while an enlarged social conscience has increased the number of our problems, the individualistic strain in the American nature resists that paternalism which at present appears necessary to an effective treatment of certain problems. We are behind Germany in legislation designed to prevent industrial accidents, lessen the evils of unemployment, and otherwise protect the worker against the risks of industry. But Germany has built up this system of social insurance by restricting personal liberty, and by greatly extending the power of government over the individual. The great task confronting our government is to do as much for the individual as any paternalistic government, without endangering his rights by an undue extension of governmental control.

44. THE COMPLEXITY OF OUR PROBLEMS.--The mistake is sometimes made of thinking that national issues can be nicely defined, and separated from one another. The human mind has its limitations, and we are prone to emphasize the outline and content of particular problems in order to perceive their essential character the more clearly. But though this is permissible for purposes of study, we must bear in mind that the questions which we are to discuss are connected with one another in a most baffling way. To understand the administration of charity, for example, we ought to know the social, economic, and political background of the community under observation. The thorough study of this background would lead us to crime, education and other problems, which in turn have their connections with issues still further removed from the immediate problem of charity. The thorough understanding of a specific question thus implies consideration of many inter-related questions. Likewise, the solution of a particular question affects and is affected by the whole mass of related phenomena.

45. IMPORTANCE OF THE ECONOMIC BACKGROUND.--It would be unwise, perhaps, to claim that any definite group of problems is of greater importance than any other group. But at least we may say that some problems are primary in origin, while others appear to be secondary, _i.e._ derived from those called primary. In the chapters which follow, the attempt has been made to arrange the groups of problems with some regard to their primary or secondary origin. Probably the most fundamental problems which face us to-day are those of economic organization. Properly to understand these problems the student must first grasp the essential facts of American industry. We shall begin our study of the problems of American democracy, therefore, with a survey of the economic life of the nation. Only after we have mastered the principles upon which American industry is based, shall we be in a position to solve the problems which arise directly from the nature of our economic organization.

46. INDUSTRIAL REFORM.--Our industrial life is so clearly based upon certain fundamental institutions, such as private property, free contract, and free competition, that an industrial "system" is said to exist. Certain great evils, notably poverty, have accompanied the development of this system. We shall discuss a number of programs designed to eliminate these evils. The doctrine of single tax is of interest as advocating the abolition or confiscation of land value. The coöperative conduct of industry is of increasing importance of late years. We must also reckon with socialism as a movement which seeks the redistribution of wealth. Under the general head of socialism we shall have occasion to notice a small but active group known as the Industrial Workers of the World, and the larger, though related, group which recently conducted a socialist experiment in Russia. The discussion of socialism completed, we shall sum up the attitude of American democracy toward the whole problem of industrial reform.

47. SOCIAL PROBLEMS.--Of the social problems which grow out of a bad economic situation, none is more vital than the fostering of peace and good will between labor and capital. Following the discussion of industrial relations, we shall have occasion to notice a whole series of social questions which have either been derived from, or accentuated by, the rapid industrialization of our country. Grave questions arise in connection with immigration, health, and the cityward drift. The consideration of the problems of the city in turn directs attention to the necessity of a normal rural life, and to the importance of safeguarding the American home. Dependency is a familiar problem, but one which, in the light of an awakened community spirit, is now being studied from new and interesting angles. Last among social problems is the fundamental matter of education. It is not too much to claim that the ultimate fate of American democracy depends, to a great extent, upon the vigor and intelligence with which we improve and extend our educational system.

48. RELATION OF GOVERNMENT TO BUSINESS.--Since our material well-being rests upon an economic basis, the public has a vital interest in business. The rise of great corporations and the necessity of safeguarding the public from monopolistic abuses make necessary a careful examination into the relation of government to business. We shall meet with this question: Shall the government regulate, or actually own, businesses of vital importance to the public? Equally knotty, but fully as interesting, is the tariff question. Should Congress tax foreign goods entering this country, and, if so, upon what principles should this tax be determined? This will bring us to the general problem of taxation, a subject to which the American people will probably devote an increasing amount of attention in the next few decades. The question of conserving our natural resources must also be discussed. Last in this group of problems may be mentioned the question of money and banking. In discussing this important subject we shall notice, among other things, the interesting Federal reserve system, which, it is hoped, will protect us from panics in the future.

49. PROBLEMS IN EFFECTIVE GOVERNMENT.--The economist has good reason for declaring that the getting of a living is one of the most fundamental concerns in life; on the other hand, no people can long get a comfortable living without the aid of a helpful system of government. Government must be made effective. This introduces us to another series of problems. First of all, who shall share in

government? And how may we improve the methods by which we select the agents of government? How may corruption and inefficiency be eliminated from American government? What is the significance of the Initiative, the Referendum, and the Recall?

These questions must prove of fascinating interest to those who think of democracy as a living institution which is constantly growing, developing, adapting itself to changed conditions.

50. WHAT IS THE PROMISE OF AMERICAN LIFE?--Rich in natural resources, ample in extent, encouraging to man's helpful efforts, America fulfills the first condition of national greatness. Intelligent and industrious, law-abiding and, devoted to the building of homes, our population fulfills the second condition.

Here we have all the raw materials out of which to build a great nation. Already we have made marked contributions to civilization, and yet it should not be forgotten that our chief claim to national greatness rests upon the promise which we show of being able to perfect American democracy.

To what extent will this promise actually be realized? As a nation we are yet young, as a people we have scarcely begun the greatest experiment in democracy which the world has ever seen. Shall we endure, shall we attain to a half-success, shall we succeed gloriously?

Much depends upon the extent to which each of us assumes the responsibilities of citizenship. Those who have gone before us conquered a wilderness, expanded and preserved the Union. But it is not for us complacently to accept the result. Much has been done, but much more remains to be done. Our goal is the greatest possible perfection of our economic, social and political life. Each age may be said to have its peculiar burdens and responsibilities: the prime task of the colonist was to foster the tender shoot of democracy; that of the western pioneer was to fashion homes out of a wilderness; the burden of our generation is to grapple with the present-day problems of American democracy. Without a high sense of personal responsibility, coupled with an intelligent and consistent effort, we can never reach the high goal admittedly possible.

51. THE POINT OF VIEW IN PROBLEM STUDY.--To see American democracy and to see it as a whole should be our aim throughout the remainder of this book. Now this is not easy. The danger is that the unwary student will interpret the large amount of space devoted to "problems" as meaning that American life is preeminently unsettled and defective. This is a temptation to be guarded against. Though we shall uncover many defects, it should be remembered that we are predominantly a normal, healthy, prosperous people. But our virtues demand our attention less urgently than do our defects. If we seem to be overconcerned with the defects of American life, the student should not conclude that American life is primarily defective. Rather, he ought to realize that it is precisely because a situation involves a problem that our attention is challenged.

Nor should problems be looked upon as something to be ashamed of. Where life is dull and civilization static, there are relatively few problems; where life is progressive and civilization steadily advancing, problems are numerous and pressing. Problems imply

adjustment, development, the desire for improvement and advancement. They are signs of progress, the growing pains of civilization. If we bear this in mind, we shall be in a fair position to see American democracy in true perspective, without undue distortion of our viewpoint, and without prejudice to our judgment.

QUESTIONS ON THE TEXT

1. Why is there nothing to be gained by debating whether or not American democracy is imperfect?

2. Why has the circle of our problems been steadily widening during the last century?

3. Trace the relation between an enlarged social conscience and the number of problems confronting us.

4. What is one danger of paternalism?

5. Give a definite example to illustrate the complexity of our modern problems.

6. Discuss the importance of the economic background in problem study.

7. What problems may be included under the term "industrial reform"?

8. What problems arise in connection with public interest in business?

9. Name some of the problems arising in connection with the need for effective government.

10. What is the importance of individual responsibility in studying the problems of American democracy?

11. Outline clearly the point of view to be maintained in studying these problems.

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter v.

Or all of the following:

2. Bryce, _The American Commonwealth_, vol. ii, chapters ci, cxiv, cxix, and cxxii.

3. Dunn, _The Community and the Citizen_, pages vii-xii.

4. McLaughlin, _Steps in the Development of American Democracy_, chapter viii.

QUESTIONS ON THE REQUIRED READINGS

1. What, according to Lord Bryce, are the essential intellectual traits of the masses of the American people? (Bryce, pages 825-826.)

2. Lord Bryce says that "there are elements in the life of the United States which may well make a European of any class prefer to dwell there rather than in the land of his birth." What are these elements? (Bryce, pages 870-873.)

3. What comment does Lord Bryce make upon the quality of humor in the American character? (Bryce, page 876.)

4. What three advantages does the United States have over European countries in the matter of grappling with modern problems? (Bryce, page 912.)

5. Explain the statement that "Democracy rests on faith." (McLaughlin, pages 181-182.)

6. What is meant by the statement that "Democracy is fundamentally a matter of human relationships"? (McLaughlin, pages 189-190.)

7. What, according to Lord Bryce, are the four chief defects of American democracy? (Bryce, page 632.)

8. What are the essential qualities which civic education should aim to cultivate? (Dunn, pages xi-xii.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make a list of the problems which in any way affect you as a citizen in the community. List these problems in the order in which they occur to you, or are discovered by you. Comment upon the confused and disorderly appearance of the problems so listed.

2. Classify the problems on your list according as they are economic, social or political.

3. Classify the problems on your list according as they are local, state or national.

4. Comment upon the complexity and inter-relationship of the problems so classified.

5. What agencies, public, semi-public, or private, are studying the problems on your list?

6. What difference of interest do the citizens of your community show in local, state and national problems?

II

7. Defects of democratic government the world over. (Bryce, _Modern Democracies_, vol. ii, pages 452-454.)

8. The background of the problems of American democracy. (Merriam, _American Political Ideas_, chapter i.)

9. The hindrances to good citizenship. (Bryce, _Hindrances to Good

Citizenship_.)

10. The promise of American life. (Croly, _The Promise of American Life,_ chapter i.)

11. Attitude of the individual in a democracy. (Hughes, _Conditions of Progress in Democratic Government_.)

12. The power of ideals in American history. (Adams, _The Power of Ideals in American History_.)

13. Ideals of citizenship. (Woodburn and Moran, _The Citizen and the Republic_, chapter xx.)

14. The future of democracy. (Bryce, _Modern Democracies_, vol. ii, chapter lxxx.)

PART II--AMERICAN ECONOMIC PROBLEMS

A. ECONOMICS OF AMERICAN INDUSTRY

CHAPTER VI

THE NATURE OF AMERICAN INDUSTRY

52. MAGNITUDE OF AMERICAN INDUSTRY.--In colonial times the major part of American industry was concentrated along the Atlantic seaboard; to-day it extends over a large part of the continent. A century and a half ago our industrial system was still a relatively simple one, giving rise to few pressing problems of national importance; at the present time it is a vast and complicated affair, closely bound up with many of the most vital problems which confront American democracy. The activities which are commonly grouped under the head of "American industry" are so numerous and so varied that a description of all of them would carry us beyond the limits of this chapter. Nevertheless, it is important that we secure some understanding of these activities. A few pages may profitably be spent, therefore, in discussing certain basic facts of American industry.

53. FAVORABLE LOCATION OF THE UNITED STATES.--Let us commence by noting that the location of the United States is favorable to the development of industry. Of the two American continents, the northern has the greater natural advantages. Each continent is roughly in the form of a triangle with the apex or smaller end pointing southward, but whereas the larger end of the South American triangle is within the tropic zone and only the tapering end is within the more favorable temperate zone, the greater part of the North American triangle is within the temperate zone. With regard to location for world trade the northern continent again has the advantage: the ports of South America face a relatively empty ocean on the west and the little-developed continent of Africa on the east; the ports of North America, in addition to being more numerous and more suitable for commerce than those of the southern continent, face the teeming Orient on the west,

and the great markets of Europe on the east. Moreover, the United States occupies the choicest portions of the North American continent. Our neighbor Canada has a cold and snow-bound frontier on her north, while on our south Mexico and the Central American countries lie near the tropics. The heart of temperate America, on the other hand, is included within the territory of the United States.

54. POPULATION.--Scarcely less important than the favorable location of the United States is the character of the people occupying the country. From less than four million in 1790, our population has increased so rapidly that in 1920 there were 105,710,620 people within the bounds of continental United States. As the population has increased, it has spread over the Appalachians, into the great Mississippi basin, and westward to the Pacific Ocean. Accompanying the increase and westward spread of the population has come a greater variety of racial types. Although our population was varied in colonial times, the great majority of the settlers were from the British Isles and northwestern Europe. In the latter part of the nineteenth century immigration from northern Europe declined and more and more immigrants began to come from southern and southeastern Europe. So universal has been the attraction of America, that our present population includes elements from every important country in the world. From the industrial standpoint, the dominant Characteristics of this composite American people are energy and versatility.

55. NATIONAL WEALTH.--Generations of industrious people have helped to make the United States the wealthiest nation in the world. It has been estimated that in 1850 our national wealth amounted to $8,000,000,000. By 1900 the remarkable progress of American industry had increased this figure to more than $88,000,000,000. In 1912 our wealth was probably in excess of $180,000,000,000. Industrial and financial disturbances during the period of the World War make later estimates hazardous, nevertheless it is interesting to note that in 1921 the wealth of the United States was estimated as being between $350,000,000,000 and $400,000,000,000. According to this estimate, the wealth of this country exceeded, in 1921, the combined wealth of Great Britain, France, Germany, Italy, and Belgium. In weighing the value of this comparison, however, we must take into consideration the heavy destruction of wealth in western Europe because of the World War.

56. WHAT THE AMERICAN PEOPLE ARE DOING.--A large percentage of the inhabitants of the United States are engaged in some form of productive work. According to the most recent estimates there are approximately fifty million persons, male and female, over ten years of age, engaged in gainful occupations in this country. Of these about fourteen million are engaged in agriculture and allied industries, while more than eleven million are busy in manufacturing pursuits. Almost four million are found in some form of trade, and another four million are employed in domestic and personal service. Transportation, clerical work, and professional callings utilize the services of several additional million. The great majority of those employed in American industry are men, although the number of women in industry is steadily increasing. Children have been found in industrial pursuits since colonial times, but of recent years there is a growing movement to restrict or prohibit the employment of children in gainful occupations.

57. FORESTS AND MINERALS.--The natural resources of the United States

play a large part in our industrial life. One fourth of the territory of the United States is still covered with timber. We are abundantly supplied with coal and iron, the two most important industrial minerals. Our coal deposits outrank, both in quantity and in quality, those of any other country. Iron is found in most of the states in the Union, the high-grade deposits of the Lake Superior area being of special importance. We produce more than half of the world's supply of copper, which, after coal and iron, is the most important industrial mineral. Our supply of petroleum and natural gas is large, and in spite of the waste which has characterized our use of these important commodities, our production of both is still great. Gold, silver, zinc, lead and phosphates are produced in the United States in large quantities. Indeed, we have ample supplies of practically all of the minerals of importance to industry, except platinum, tin, and nickel.

58. AGRICULTURE.--Until very recently, at least, agriculture has been by far our most important industry. Of the two billion acres comprising continental United States, approximately half are under cultivation. In most sections of the country the quality of the soil is good, and rainfall is ample. We have long led the world in the value of farm crops grown. Our production of wheat, corn, oats, barley, rye, and dairy products totals an enormous figure. The steady enclosure of lands formerly used for grazing stock is restricting our production of food animals, but we are still important as a producer of meats. Most of the world's tobacco is grown in this country. The world's supply of cotton is derived mainly from southern United States. Finally, our soil is of such variety, and our climate so diversified, that the danger of a general crop failure is slight. A loss in one part of the country is almost certain to be offset by good crops in another.

59. MANUFACTURING.--In colonial times American manufactures were subjected to more or less restraint by Great Britain, but after the Revolution these industries entered upon a period of free and rapid development. Modern machinery was introduced rapidly after 1800, large scale production was developed, transportation was fostered, and larger and larger markets were supplied with the products of American manufacturers. Particularly since the Civil War has the importance of our manufactures increased. This increase has been due chiefly to the large scale production of foodstuffs, including meats and flour; textiles; iron and steel products; shoes; chemicals; and agricultural machinery. According to recent census figures it would appear that we are passing from a predominantly agricultural life to a stage in which manufacturing is of relatively greater importance.

60. TRANSPORTATION AND COMMUNICATION.--The physical geography of the United States encourages the development of adequate means of transportation and communication. The St. Lawrence-Great Lakes system gives easy access to the most fertile section of the continent. The Mississippi and its tributaries drain a million square miles of farm land. We have, in addition to 18,000 miles of navigable rivers, a greater coast line available for commerce than has the whole of Europe. New York is the world's greatest seaport.

Few mountain ranges hamper the development of transcontinental railroads in this country, and of these only one, the Rockies, is a serious obstacle to effective transportation. Our railroad mileage is enormous, a half dozen transcontinental lines being supplemented by numerous smaller roads and feeding lines. We have more than 2000 miles

of canals in operation. Cheap and rapid transportation between the different parts of the country, supplemented by adequate means of communication by telephone, telegraph, and the postal service, undoubtedly has been one of the greatest factors in our national prosperity.

61. DOMESTIC AND FOREIGN TRADE.--The great majority of our products are not shipped to foreign markets, but are utilized within the country. We are still so young and so undeveloped a country that our manufacturers have been kept busy supplying the domestic market. This fact, together with the American manufacturer's lack of knowledge concerning the possibilities of foreign trade, explains our neglect of foreign markets. In proportion as our manufacturers catch up with the domestic market, and in proportion as their knowledge of foreign markets increases, it is likely that they will give more and more attention to customers in other countries.

But though a very small proportion of our products are sent abroad, the foreign trade of the United States exceeds in value the foreign trade of any other country. This predominance is due, not so much to our search for foreign markets, as to the steady demand in other countries for three classes of goods in the production of which we have a distinct advantage. These three classes of goods are, first, raw materials of which we have a great abundance, such as cotton and copper; second, specialties invented and patented by Americans, such as inexpensive automobiles, typewriters, and phonographs; and, third, commodities which may be advantageously produced by large-scale methods, such as agricultural machinery and the cheaper grades of textiles.

62. SUMMARY AND FORECAST.--We have very briefly surveyed some of the basic facts of American industry. On the one hand, the favorable location and the rich natural resources of the United States have furnished a substantial basis for industrial progress. On the other hand, we must note that the American people are energetic and versatile,--combining, to a happy degree, the qualities of initiative and originality, perseverance and adaptability. The great wealth and prosperity of the country as a whole have been the result of the combination of a favorable land and an able people.

This is not the whole of the story, of course. It must be admitted that, with all of our wealth, we continue to face serious charges of poverty and industrial maladjustment. These charges are of great importance, but it should be remembered that no problem can be solved, or even intelligently attacked, until the essential facts are well in hand. We have briefly described the nature of American industry. What we have now to do, as a preliminary to considering the problem of poverty and industrial reform, is to analyze the economic laws in accordance with which American industry has developed. The essential facts of the next four chapters cannot be weighed too carefully.

QUESTIONS ON THE TEXT

1. To what extent has the character of American industry changed in the last century and a half?

2. Compare North America with South America with respect to natural advantages.

3. Outline the changes which have occurred in the population of the United States since 1790.

4. Trace briefly the increase in our national wealth since 1850.

5. What are the chief occupations of the American people?

6. Name three important industrial minerals, and comment on our supply of each.

7. What are the chief characteristics of American agriculture?

8. Outline the growth of our manufacturing industries.

9. How are transportation and communication encouraged by the physical geography of the United States?

10. Why is our domestic trade of relatively greater importance than our foreign trade?

11. To what three types of goods is our predominance in foreign markets due?

12. What qualities of the American people have contributed to their industrial success?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy,_ chapter vi.

Or all of the following:

2. Bishop and Keller, _Industry and Trade,_ chapters i and ii.

3. Bogart, _Economic History of the United States,_ chapter i.

4. Fetter, _Modern Economic Problems,_ chapter i.

5. King, _Wealth and Income of the People of the United States,_ chapter iii.

QUESTIONS ON THE REQUIRED READINGS

1. Describe briefly each of the six regions into which continental United States may be divided. (Bogart, pages 11-12.)

2. Why has the animal life of the North American continent declined in significance since colonial times? (Bogart, page 8.)

3. Into what five divisions may the forests of the United States be classified? (Bishop and Keller, pages 27-28.)

4. What may be said as to the temperature of the United States? (Bogart, pages 12-13.)

5. What may be said as to the extent of rainfall in the United States?

(Bogart, page 13.)

6. Explain the importance of water power in the United States. (Bogart, pages 3-4.)

7. What changes in farm land values have been brought about in the last century? (King, pages 22-27.)

8. Discuss the value of urban land in the United States. (King, pages 15-21.)

9. Why is it extremely difficult to measure the wealth of the United States? (Fetter, pages 6-10.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Trace the growth in the population of your state since 1880. What have been the chief sources of this increase?

2. To what extent has the population of your state been affected by immigration from Europe? What attracts immigrants to your state? Have there been any changes in the character of this immigration since 1880?

3. Classify the population of your state on the basis of occupation. (Secure data from the State Board of Labor, or State Bureau of Statistics.)

4. Estimate the material wealth of your community. What light does the result throw upon the difficulties of summarizing the wealth of the nation?

5. Discuss the importance in the economic life of your section of

(a) Agriculture,

(b) Mining,

(c) Forestry,

(d) Manufacturing.

II

6. The economic geography of your section. (Consult Dryer, _Elementary Economic Geography_.)

7. A comparison of America three hundred years ago with the America of to-day. (Price, _The Land We Live In_, chapters i and ii.)

8. Character of the American population. (Burch and Patterson, _American Social Problems_, chapter ix.)

9. An analysis of the American character. (Bryce, _The American Commonwealth_, vol. ii, chapters cxiv and cxv.)

10. Ways of getting a living. (Carver, _Elementary Economics_, chapter xv.)

11. Geographical distribution of cities and industries in the United States. (Semple, _American History and Its Geographic Conditions,_ chapter xvi.)

12. Agricultural industries in the United States. (Bishop and Keller, _Industry and Trade,_ part ii. Smith, _Commerce and Industry,_ chapters i, in, iv, v, and vi.)

13. Animal industries in the United States. (Bishop and Keller, _Industry and Trade,_ part iii. Smith, _Commerce and Industry_, chapter ii.)

14. Power. (Smith, _Commerce and Industry_, chapter ix.)

15. Mineral industries in the United States. (Bishop and Keller, Industry and Trade, part iv. Smith, _Commerce and Industry_, chapters viii, xiii, xiv, and xv.)

16. Manufacturing industries in the United States. (Bishop and Keller, _Industry and Trade_, part v.)

17. Trade routes of North America. (Smith, _Commerce and Industry_, chapter xvi.)

18. The foreign trade of the United States. (Dryer, _Elementary Economic Geography_, chapter xxxii. See also any other recently published text on this general field.)

CHAPTER VII

WHAT IS MEANT BY PRODUCTION

63. WHY MEN WORK.--Ultimately everyone depends upon work for his living. Young children commonly live upon the earnings of their parents; most normal adults, on the other hand, depend upon their own efforts for their living. Since every individual probably works because of a combination of motives, it is possible somewhat to analyze the reasons why men work. The most fundamental reason for working is in order to preserve one's life. This assured, the individual is in a position to work in order to preserve the lives of those who are near and dear to him. When the necessities of life have been provided, work is commonly continued for the sake of acquiring comforts or luxuries.

Under a well-regulated legal system these efforts of the individual also benefit the community, but until he is able to support himself and his family, the average individual does not consciously make the public interest the chief end of his labors. However altruistic a man may be, he will not be able to labor consistently in behalf of others, unless he will thereby serve his own interests as well, or unless his personal needs have already been met.

64. THE OLD WAY OF GETTING A LIVING.--The economic history of eighteenth century England illustrates two rather distinct methods of getting a living, one of which may be called the old, and the other the new. Up to about the middle of the century, the masses of Englishmen, in common with the people of other countries, got a very poor living. Most common necessities were made in the home and for purely family use. Shoes, clothing, tools, and similar articles were produced laboriously and on a small scale. In comparison with industrial conditions in the nineteenth century, there was at that time little industrial coöperation [Footnote: By coöperation is here meant simply the working together of different persons or groups of persons. Coöperation in this sense is to be distinguished from coöperation as discussed in Chapter XII.], little division of labor, little suspicion that men were, in spite of hard work engaged in for long hours, getting a very poor living. The trouble was, partly, that men had not yet fully realized the possibilities of helping one another, and partly that they were ignorant of how to make Nature really an efficient aid in getting them a living.

65. THE NEW WAY OF GETTING A LIVING.--After the middle of the eighteenth century the invention of a series of remarkable machines enabled Englishmen greatly to increase their productivity, first in the manufacture of textiles, and later in numerous other industries. By subdividing their labor more and more minutely, and by each specializing in the particular type of work which he could do best, men found that their total output could be greatly increased. This complex division of labor, made possible by the use of water and steam power to run machines and to move vehicles of transportation, reduced the difficulty of getting a good living, that it constituted a veritable revolution in industry. Indeed, this change is known in history as the Industrial Revolution.

66. EFFECTS OF THE INDUSTRIAL REVOLUTION.--In the last century and a half the Industrial Revolution has spread to every important civilized country in the world, everywhere encouraging the application of machine methods to more and more industries. This change from production on a small scale, and often by hand, to large-scale production in factories equipped with complex machines, has had important results. It has so increased our control over Nature that even the humblest workman of to-day enjoys many comforts denied kings a few centuries ago. On the other hand, the Industrial Revolution has tended to create a numerous class which depends entirely upon wages, and to set off against this class an employing group which possesses and controls most of the income-producing equipment of industry. The significance of this last development will become clearer as we go along.

67. NATURE OF MODERN PRODUCTION.--In the study of modern production two fundamental facts confront us. The first is that the economist does not define production as merely the making of material objects. We desire material objects only if they will satisfy our wants. Since, also, the satisfaction of wants is the important thing, it is clear that the performance of a service, such as teaching or painting, may be more important than the manufacture of a material object which no one wants. Production may thus be defined as the satisfaction of human wants. The manufacturer of a material object is productive only if that object is wanted by someone; he who supplies personal or professional service is productive if that service satisfies the wants

of someone.

The second fundamental fact which confronts the student of modern production is the complexity of our industrial system. Three hundred years ago most of the commodities in daily use were made, either in the home and by the family members, or by small groups of artisans working together under relatively simple conditions. To-day production is a vast and complicated process. To the eye of the untrained observer a great mass of factories, farms, railroads, mills, machines, ships, and busy laborers appears without order and, often, without purpose. The task immediately before us is to analyze this mass, and to point out the nature of the various factors which contribute to the productive power of a community.

68. NATURE A FIRST FACTOR IN PRODUCTION.--Nature is defined by the economist as inclusive of all of the materials and forces furnished in the form of land and its products, oceans, lakes, rivers, rain, humidity, and climate. Since Nature is rather a vague term, and since, also, the economist looks upon land as the most important element in Nature, we may lump together all of the materials and forces of Nature and apply the term "land."

Taken in this sense, land is clearly of great importance in production. We build houses and factories upon it, we use it as a basis of transportation, we harness its motive power, and we make extensive use of the innumerable raw materials which it furnishes. Without land there could be no production, in the sense in which the economist understands the word.

69. MAN'S LABOR A SECOND FACTOR IN PRODUCTION.--Something besides land, or Nature, is necessary before our wants can be satisfied. Nature is often careless of our needs and desires. True, she offers us berries, coal, firewood, and many other commodities which are practically ready to use, but even these articles will not satisfy our wants unless we go to the trouble to secure possession of them. In an important sense Nature is passive, and if she is to furnish us with a living, we must engage in labor. This labor may be mental or physical, the important point being that it is effort undertaken to increase our control over Nature. Savages are content to use products in substantially the form in which Nature provides them; civilized peoples work over the products of Nature until the utility or want-satisfying power of those products has been greatly increased. Man's living improves as he progresses from indolence to hard physical labor, then from hard physical labor alone to a combination of physical and mental labor intelligently directed.

70. CAPITAL A THIRD FACTOR IN PRODUCTION.--Land to furnish raw materials, and man to make use of those materials,--what more is necessary? Nothing else would be necessary if all of Nature's gifts were readily accessible, and if man unaided could make the best use of them. But Nature hides or disguises many of her treasures, and man is physically weak. Hence he has hit upon the device of making tools to help him in his contest with Nature. During the period of the Industrial Revolution many simple tools were supplanted by complicated devices run by power and called engines and machines. To the economist tools and similar devices are a form of capital, capital being defined as inclusive of everything which man has created, or caused to be created, in order to help in further production. [Footnote: Land has not been created by man but is a gift of Nature. Land, therefore, is

not a form of capital.]

The fashioning of hammers and saws, the construction of railways, and the manufacture of machinery, all these operations create capital. The systematic creation and use of capital is one of the distinguishing features of modern civilization. The laborer alone can produce little; aided by capital he can produce much. Capital is not important if one is willing to live like a savage; on the other hand, it is indispensable if one wishes to enjoy the benefits of civilization.

71. COÖRDINATION A FOURTH FACTOR IN PRODUCTION.--Land, labor, and capital are factors in production. Two hundred years ago nothing else was essential to production. The average individual had his own land, produced his own tools or capital, and relied chiefly or entirely upon his own labor.

But the Industrial Revolution enlarged and complicated production. It created an industrial system in which the individual is generally a specialist, producing a surplus of his one product, but dependent upon numerous other persons for most of the things which he personally consumes. To-day, for example, there are numerous individuals raising cattle, the hides of which are to be made into shoes; other individuals are perfecting means of transportation so that those hides may be carried to market; still other persons concern themselves only with the building of factories or with the manufacture of machines with which to work those hides into shoes. These various individuals and groups may never see each other, nevertheless they aid one another.

The secret of this often unseen and unconscious coöperation is that there are individuals who specialize in the work of connecting up, or coördinating, the other factors which are necessary to the production of shoes. These individuals, about whom we shall have more to say in the next chapter, constitute an important economic group. They coördinate, in the example given above, the cattle grower, the railroad manager, the tanner, the factory builder, and the manufacturer, and thus make possible a kind of national or even international coöperation which would otherwise be impossible. Those whose function it is to promote this coöperation are, therefore, indispensable factors in modern production.

72. GOVERNMENT A FIFTH FACTOR IN PRODUCTION.--A cursory examination of modern industry would convince the observer that land, labor, capital, and coördination are important factors in production. There is, in addition, a factor which is so fundamental, and of such essential value, that it is sometimes overlooked altogether. This is the work of the government in protecting productive enterprises. Government aids in production by suppressing theft, violence, and fraud; by allowing individuals to engage in helpful businesses; by enforcing contracts entered into legally; and by punishing many kinds of monopolistic abuses. [Footnote: We shall take up the problem of monopoly in Chapters XXVII and XXVIII.] The whole fabric of American prosperity is built upon the foundation of law and order.

73. SUMMARY AND FORECAST.--Production in the economic sense consists in doing that which will satisfy human wants. Modern production is a vast and complicated process, involving the coöperation of five factors: land, labor, capital, coördination, and government. In a later chapter we shall find that there are wide differences of opinion

as to the relative importance of some of these factors. We shall find, indeed, that the most vital economic problems which confront American democracy depend for their solution upon a clear understanding of the facts stated or implied in this chapter. The student ought not, therefore, to accept hastily the statement that land, labor, capital, coördination, and government are necessary in production, but ought rather to reason out just how and why each is actually helpful in American industry.

QUESTIONS ON THE TEXT

1. What are the chief reasons why men work?

2. Describe the "old way of getting a living."

3. Just what is meant by the "new way of getting a living"?

4. What were the chief effects of the Industrial Revolution?

5. What is the economist's definition of production?

6. Just how does Nature help in production?

7. Explain the relation of Nature to land.

8. Show how man's labor is necessary in production.

9. What is the nature and function of capital?

10. Discuss coördination as a factor in production.

11. Name a fifth factor in production.

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter vii.

Or all of the following:

2. Carver, _Elementary Economics_, chapters ix-xiii.

3. Adams, _Description of Industry_, chapter v.

4. Ely, _Outlines of Economics_, chapter viii.

5. Smith, _Wealth of Nations_, Book I, chapters i and ii.

QUESTIONS ON THE REQUIRED READINGS

1. What instinct in man gives rise to the division of labor? (Smith, chapter ii.)

2. Name and distinguish between the two kinds of division of labor. (Carver, pages 77-82.)

3. How does pin making illustrate the principle of the division of

labor? (Smith, chapter i.)

4. How does the meat packing industry illustrate the principle of the division of labor? (Ely, page 125.)

5. To what extent does the cotton mill illustrate the principle of the division of labor? (Ely, pages 124-125.)

6. What are the three fundamental advantages which result from the division of labor? (Smith, chapter i; Carver, pages 75-76; Ely, page 126.)

7. What are the effects of the complex division of labor upon the worker? (Ely, pages 127-128.)

8. Describe the chief sources of power utilized by man. (Carver, chapter x.)

9. Discuss the origin of capital. (Carver, chapter xi.)

10. What are the two factors which give value to land? (Carver, page 111.)

11. Explain the statement that thousands of individuals coöperate to furnish the humblest workman with food and clothing. (Smith, chapter i.)

12. What is the secret of modern industrial efficiency? (Adams, page 87.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Visit a factory, mill or shop in your vicinity and study the organization of the plant with regard to the application of the principle of the division of labor. Secure the amount of output per man by dividing the total product by the number of workmen coöperating in its production. Compare the output per man under these conditions with the probable output per man if each workman were working separately, without material assistance from other workmen.

2. Study, both by inquiry and by observation, the effects of the division of labor upon the health and spirits of the workmen in the factory, mill or shop visited.

3. Classify the industries in your locality on the basis of whether they rely chiefly or entirely upon human, animal, water, steam or electric power. Why does each industry not utilize some other form of power than that actually used?

4. Classify some of the familiar occupation groups in your community according as they derive their incomes chiefly or entirely from land, labor, capital, or the process of coördinating land, labor, and capital. Test the productivity of each group by the standard advanced in section 67 of the text.

5. Attempt to show to what extent each of the five factors of

production has contributed toward the erection and furnishing of your schoolhouse.

II

6. The Industrial Revolution in England. (Ely, _Outlines of Economics_, chapter iv. Cheyney, _Introduction to the Industrial and Social History of England_, chapter viii.)

7. Colonial industries. (_Lessons in Community and National Life_, Series A, pages 73-83; Series B, pages 17-25; Series C, pages 17-25. See also Bogart, _Economic History of the United States_, chapter iv.)

8. The Industrial Revolution in the United States. (Bogart, _Economic History of the United States_, chapter xii. Ely, _Outlines of Economics_, chapter vi. Marshall and Lyon, _Our Economic Organization_, chapter viii.)

9. The significance of the cotton gin. (Consult an encyclopedia.)

10. Cyrus McCormick and the reaper. (Consult an encyclopedia.)

11. The story of a loaf of bread. (Wood, _The Story of a Loaf of Bread_. Additional material on this subject may be secured by writing to the International Harvester Company, Chicago.)

12. The story of iron and steel. (Smith, _The Story of Iron and Steel_, pages 23-126.)

13. Development of business organization. (_Lessons in Community and National Life_, Series A, pages 169-178.)

14. Economic work of the United States government. (Dryer, _Economic Geography_, chapter xxxiii.)

CHAPTER VIII

EXCHANGING THE PRODUCTS OF INDUSTRY

74. RELATION OF THE DIVISION OF LABOR TO EXCHANGE.--In the self-sufficing stage that existed in industry a few hundred years ago, there was generally little necessity for the exchange of products. Each family produced most of the commodities which it needed, and depended relatively little upon the products of persons outside the family circle.

But the complex division of labor which developed out of the Industrial Revolution has made the exchange of products increasingly important. To-day the typical workman concentrates upon one particular kind of work, and is content to exchange a share of his earnings for the numerous goods and services which he cannot supply for himself. Exchange thus increases the total output of the community or nation by permitting individuals to specialize in those commodities which they can produce most effectively.

75. RELATION OF TRANSPORTATION AND COMMUNICATION TO EXCHANGE.--Exchange is largely dependent upon transportation and communication. In the United States, for example, not only do the individuals of a particular community specialize in various types of work, but the different sections of the country are devoted to the production of those commodities for which they are best suited. Thus it is largely true that New England is best suited to manufacturing, the South to the growing of cotton, and certain parts of the West to the production of lumber and foodstuffs. The suitability of a region to a particular class of products is due, partly to location, partly to the nature of the soil and the climate, and partly to the inclination and training of the people. But whatever its causes, this territorial division of labor could not be carried out without an efficient system of transportation and communication. Communication by mail, telephone, and telegraph is necessary to allow producers and consumers in different parts of the country to keep in touch with one another. Transportation by land and water is necessary if the surplus products of one section are to be exchanged for the surplus products of other sections.

76. TYPES OF COÖRDINATORS.--Those who perform the work of coördination in industry are commonly referred to indiscriminately as business men, middlemen, or entrepreneurs. [Footnote: the term "entrepreneur" is awkward and little known, but no more satisfactory term is available.] The meaning of these three terms is distinguished with difficulty, but to avoid confusion later on the essential character of each should be pointed out here. The term business man is very wide, and is commonly inclusive of all who actively engage in any sort of business. The primary function of the middleman is to act as a connecting link between various industrial enterprises. The entrepreneur, on the other hand, is primarily an individual who coördinates land, labor, and capital with the intention of initiating and conducting a business enterprise. In so far as he acts as a connecting link between other industrial agents, the entrepreneur is a middleman, but the middleman is usually thought of as an individual who connects up existing businesses, rather than initiating a new enterprise. To the functions of the entrepreneur we shall return in the next chapter; here it is the middleman proper who is our chief concern.

77. IMPORTANCE OF THE MIDDLEMAN.--The chief stages of shoe manufacture may serve to illustrate the great importance of the middleman in exchange. The middleman, anticipating a demand for beef and hides, connects the cattle grower with the live-stock market. Still later it is a middleman who offers raw hides to the tanner, and who sees that the wholesale leather merchant comes into business contact with the tanner. The banker or broker who connects the entrepreneur with the money with which to set up a shoe factory may be called a middleman, as may the individual who aids the entrepreneur in getting the required amounts of land and labor with which to start manufacturing. When, under the direction of the entrepreneur, the shoe has been manufactured, it is often a middleman who connects the shoe wholesaler with the finished product. The jobber who buys large quantities of shoes from the wholesaler and sells them to the retailer in small lots is a middleman. The advertising man whose description and pictorial representation of the shoe causes the consumer to buy it of the retailer is also a middleman.

78. NOT ALL MIDDLEMEN ARE SOCIALLY NECESSARY.--By coördinating the

work of these various individuals, many of whom are themselves middlemen, the middlemen whom we have been describing allow the community to secure the full benefit of the division of labor and of exchange. Where there exist just enough middlemen to coördinate with maximum efficiency the various industrial agents of a community, the community gains. When, on the other hand, there are more middlemen at work than are really needed to perform the work of industrial coördination, the community loses. This loss is a double one: first, the working energy of the superfluous middlemen is wasted, or at least is applied uneconomically; second, middlemen are paid, directly or indirectly, out of the product which they handle, so that the handling of a commodity by an unnecessarily large number of middlemen means higher prices for the ultimate consumers of that commodity. [Footnote: The existence of superfluous middlemen constitutes a grave problem, to which more and more attention is being given. Various aspects of this problem are discussed in Chapters XII and XXV.]

79. BARTER.--We have seen _what_ the middleman does; it remains to point out _how,_ or by means of what mechanism, he performs his functions. When savages, and civilized peoples living under primitive conditions, wish to exchange their surplus goods, they generally resort to barter, _i.e.,_ they exchange one commodity directly for another. Where the division of labor has been so little developed that the goods to be exchanged are relatively few, this may work very well, but in modern industry barter would be inexpedient, if not impossible. The farmer who had a surplus of cattle and desired a piano might have great difficulty in finding a man who had a surplus piano and who also desired cattle. Even though the farmer liked the piano in question, and even though the owner of the piano were pleased with the farmer's cattle, it might be impossible to measure the value of the piano in units of cattle.

80. NATURE AND FUNCTION OF MONEY.--To facilitate exchange civilized peoples make an extensive use of money. Money may be defined as anything that passes freely from hand to hand as a medium of exchange. [Footnote: The terms "money" and "capital" are often used interchangeably. Strictly speaking, however, money is a form of capital. Moreover, it is only _one_ form of capital] In modern times gold, silver, nickel, and copper coins have been the most familiar forms, though paper currency is also an important form of money. There is nothing mysterious about money: it is simply a means of facilitating exchange by saving time and by guaranteeing accuracy in measuring the relative values of commodities.

Let us see how money actually aids in the exchange, say, of cattle and pianos. The farmer disposes of his cattle to a middleman, receiving in return money, the authenticity of which is guaranteed by the government's stamp upon its face. There is no difficulty in making change, for money can be so minutely divided as to measure the value of an article rather exactly. The farmer does not fear that he could not use the money received for the cattle, for money is generally accepted in exchange for any commodity. The farmer now offers the money to the piano-owner, who is probably a middleman. Again the fact that money is finely divisible allows an accurate money measure of the value of the piano. The owner of the piano, if he is satisfied with the amount of money offered, does not hesitate to accept the farmer's money, since he, too, realizes that he can use the money to purchase the things that he in turn desires.

81. VALUE AND PRICE.--We have used the term "value" several times; as part of our preparation for the study of the great problem of industrial reform, we must understand precisely what is meant by the term.

Suppose, for the sake of clearness, that we speak of a market as a definite place where goods are bought and sold. Individuals take or send their surplus products to the market for sale; individuals desiring to buy commodities likewise resort to the market. In the market commodities are said to have value, that is to say, they have power in exchange. The power of a commodity in exchange is measured in money, and the amount of money for which a commodity will exchange is called its price. Price is thus a measure, in terms of money, of the value of a commodity.

The value of a commodity in the market is dependent, partly upon its utility, or want-satisfying power; and partly upon its scarcity. In other words, the value of a commodity depends partly upon the intensity with which it is desired by persons able and willing to purchase it, and partly upon its available supply. Price is set as the result of the interaction of the forces of supply and demand, this interaction commonly taking the form of a bargaining process between prospective sellers and prospective buyers.

QUESTIONS ON THE TEXT

1. Explain clearly the relation between the division of labor and exchange.

2. To what extent is exchange dependent upon transportation and communication?

3. Name three types of coördinators, and distinguish between them.

4. Illustrate the functions of the middleman with reference to the shoe industry.

5. Where there exist in a community more middlemen than are really needed, what double loss results?

6. What is barter?

7. Why is barter not extensively used in modern industry?

8. Define money.

9. What is the primary function of money?

10. Give an illustration of the service performed by money.

11. Define value. Distinguish between value and price.

12. Upon what two factors is value dependent?

13. How is price set or determined?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter viii.

Or all of the following:

2. Adams, _Description of Industry_, chapter viii.

3. Carver, _Elementary Economics_, chapters xix, xx, xxi, xxii, and xxiv.

4. Hayward, _Money, What It Is and How to Use It_, chapter viii.

5. Smith, _Wealth of Nations_, Book 1, chapters iii and iv.

QUESTIONS ON THE REQUIRED READINGS

1. Name some commodities which at one time or another have been used as money. (Carver, pages 215-216.)

2. Why were precious metals first coined? (Smith, chapter iv.)

3. What is meant by the phrase "Time is money"? (Carver, page 183.)

4. What is the function of the bank check? (Hayward, pages 58-60.)

5. Explain the meaning of scarcity. (Carver, page 203.)

6. What are the characteristics of a modern market? (Adams, pages 139-148.)

7. What is meant by the "higgling of the market"? (Adams, page 139.)

8. What is the "first law of the market"? (Carver, page 201.)

9. What are the four industrial agencies on which the organization and practice of the modern market depend? (Adams, pages 148-152.)

10. What is meant by the "widening of the market"? (Carver, page 171.)

11. Explain the statement that "the division of labor is limited by the extent of the market." (Smith, chapter iii.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. In the production of what commodities do the people of your section tend to specialize? To what extent is this specialization due to the nature of the soil and climate? To geographical location? To the training of the people?

2. What becomes of the surplus products of your section? Trace these products as nearly as possible to the ultimate consumer.

3. List the articles of food which appear on your dinner table and attempt to discover the source of each.

4. To what extent does the exchange of products in your section take place by means of canals, inland waterways, ocean-going vessels, motor truck, horse teams, railroads?

5. To what extent are the telephone and telegraph used to facilitate exchange in your section?

6. Visit a near-by market and study the operations there, with reference to the facts discussed in this chapter.

7. List and classify the middlemen of your community.

II

8. Internal trade and transportation in the United States a century ago. (Bogart and Thompson, _Readings in the Economic History of the United States_, pages 240-251.)

9. Transportation and communication in the United States since 1860. (Bogart, _Economic History of the United States_, chapters xxiv and xxv.)

10. Early forms of money. (Bullock, _Selected Readings in Economics_, pages 387-399.)

11. Forms of money at the present time. (Adams, _Description of Industry_, chapter x.)

12. Why coinage is necessary. (Bullock, _Selected Readings in Economics_, pages 399-400.)

13. The minting of coins. (_Lessons in Community and National Life_, Series C, pages 177-185.)

14. Paper money. (_Lessons in Community and National Life_, Series C, pages 185-192.)

15. Functions of money. (Adams, _Description of Industry_, chapter x.)

16. The commercial bank. (_Lessons in Community and National Life_, Series A, pages 187-192.)

17. An English fair in the eighteenth century. (Bullock, _Selected Readings in Economics_, pages 325-333.)

18. The development of business organization. (Marshall and Lyon, _Our Economic Organization_, chapters ix and x.)

CHAPTER IX

DISTRIBUTING THE INCOME OF INDUSTRY

82. THE PROBLEM PRIOR TO THE INDUSTRIAL REVOLUTION.--The distribution of industrial income has to do with dividing the products of industry,

or the money which represents those products, among the various individuals who have aided in their creation.

The problem of distribution has existed ever since men first combined for purposes of production, but until the period of the Industrial Revolution the question was relatively unimportant. When, three hundred years ago, most necessities were produced within the family circle, there was little or no question as to whether or not individuals outside the family ought to be rewarded for having helped in the production of those commodities. If one member of the family made an entire pair of shoes, for example, he was clearly entitled to those shoes, at least so far as economic principles are concerned. Even where different members of the family combined to produce a pair of shoes or an article of clothing, the small number of persons involved, as well as the close identity of interests among the family members, kept the problem of distribution from becoming a serious one.

83. EFFECT OF THE INDUSTRIAL REVOLUTION UPON THE PROBLEM.--The Industrial Revolution greatly increased the importance of the problem of distribution. Indeed, the growth of the factory system, and the greater and greater complexity of the division of labor, have made the distribution of industrial income the basic problem in our economic and social life. Many commodities are still produced by individuals working independently, or by the joint efforts of the members of a family, but the vast majority of commodities are now produced by the joint efforts of numerous individuals who are not bound together by family ties. The production of a factory-made shoe, for example, involves large numbers of people, including the cattle grower, the transportation agent, the tanner, numerous laborers, the individuals who supply land and capital to the entrepreneur, and the entrepreneur who conducts the enterprise. The welfare of millions of people is involved in the distribution of industrial income among individuals who coöperate in such enterprises as this.

84. DIFFICULTY OF THE PROBLEM.--Under modern industrial conditions most commodities are produced by the combined efforts of large numbers of people. All these people help along the productive process, though in different ways and to a varying degree. Since all help, all are entitled to payment. But this is less simple than it sounds. How shall we determine how much each one helps, and how shall we decide how much each one is to receive?

At the outset of the discussion, we can be sure of at least one fact, _i.e._ that since all the individuals involved in a given enterprise must be paid out of the value of the finished product, the combined sums received by them cannot long exceed the total value of that product. Unfortunately, this fact is often overlooked. Many of the individuals who aid in production often become so intent upon securing their share, that they are over-ready to explain their contribution to the product, but loath to give due credit to those who have coöperated with them. It is the belief that some individuals receive too little of the joint income of industry, while other individuals receive too large a share, which has given rise to the charge of injustice in the distribution of wealth.

85. SIGNIFICANCE OF THE ENTREPRENEUR IN DISTRIBUTION.--For the sake of clearness, let us continue to illustrate the nature of distribution by reference to the shoe industry, carried on under conditions which are not unduly complicated.

The individual having control of the actual manufacture of the shoes is the entrepreneur. It is he who, in anticipation of a demand for shoes, has initiated the enterprise. Suppose, for the sake of simplicity, that the entrepreneur has secured land from the land-owner, capital from the capitalist, and labor from the workmen. Protected in a legitimate enterprise by the government, he has set himself up as a manufacturer of shoes. Since he is in control of the enterprise, it is he who pays the land-owner, the capitalist, and the laborers, for their respective contributions toward the finished shoes.

The amounts received by the individuals coöperating with the entrepreneur are not, however, arbitrarily determined. The entrepreneur must bow to economic law, and give these individuals what free competition in industry sets as a proper reward for their respective services. Let us examine into this conformity to economic law.

86. THE LAND-OWNER RECEIVES RENT.--The land-owner is rewarded because he extends the use of land to the entrepreneur. A land-owner could not be expected to, and will not, allow the entrepreneur free use of this land. The land-owner must therefore be paid for the use of the land. The entrepreneur, on the other hand, is able and willing to pay for the use of the land because upon it he expects to build a factory in which to manufacture shoes. He therefore pays the land-owner an amount of money called rent. The amount of rent paid for a piece of land depends partly upon how much the entrepreneur wants the land, and partly upon the available supply of land of the type wanted. This is equivalent to saying that rent is determined by the interaction of the two forces of supply and demand.

87. THE CAPITALIST RECEIVES INTEREST.--Besides land, the entrepreneur needs machinery, office equipment, raw materials, the services of laborers, and numerous other aids in production. Let us assume that the entrepreneur borrows of a capitalist the money required to procure these necessities. The entrepreneur can afford to pay interest for the use of this money, since with the aid of the goods and services which it will buy, he can produce more shoes than would otherwise be possible. Not only can he afford to pay interest, but he is obliged to pay it, since otherwise he could not secure the required loan. Though some people tend carelessly to overlook this fact, saving and abstinence are necessary to the accumulation of money. The individual who has money, therefore, cannot be expected to allow the entrepreneur to use it without payment, especially not when, as we have just seen, the entrepreneur can acquire wealth by the use of the goods and services which that money will buy.

The amount of interest which the capitalist receives for the use of his money will depend, as will rent, upon the law of supply and demand. If there is a large amount of funds available for investment, and at the same time few borrowers, then a given capitalist must be content to accept a relatively low rate of interest, lest his refusal cause the entrepreneur to close a bargain with a competing capitalist. If, on the other hand, available funds are scarce and entrepreneurs are greatly in need of money, then capitalists are at an advantage and entrepreneurs must offer relatively high rates of interest.

88. THE LABORERS RECEIVE WAGES.--The payment which the laborers

receive for their part in the production of the shoes is called wages. Since the laborers help in shoe manufacture, the employer can afford to pay them. Not only can he afford to pay them, but he must pay them. Otherwise the laborers would not work for this particular entrepreneur, but, in a freely competitive market, would offer their services to a competing employer.

Wages, like rent and interest, depend upon the conditions of supply and demand. If, in comparison with other aids in production, the services of laborers are wanted badly, and if, at the same time, there is a scarcity of the desired type of labor, then wages will be high. If, on the other hand, there is an over supply of laborers, and also a small demand for that type of labor, then wages will tend to be low.

89. THE GOVERNMENT RECEIVES TAXES.--In addition to paying the land-owner, the capitalist, and the laborers for their share in producing the shoes, the entrepreneur must pay taxes to the government. These taxes may be considered as payment for that maintenance of law and order without which the economical manufacture of shoes would be impossible. The share which goes to the government is determined by a unique method: the government does not try to secure as large a share of the product as possible, but strives, on the contrary, to exact as little as possible, and still meet its expenses. The subject of taxation requires special treatment [Footnote: See Chapter XXXII.] and does not, therefore, call for further mention in this chapter.

90. THE ENTREPRENEUR RECEIVES PROFITS.--That share of the income derived from the sale of the shoes which goes to the entrepreneur is called profits. It is only fair that the entrepreneur receive some reward, for it is he who conceived the idea of shoe manufacture and then carried out the project. Without his efforts the land-owner, the capitalist, and the laborers would not have combined in this enterprise, with the result that there would have been fewer shoes in the community. Fewer shoes would probably mean more expensive shoes. And not only does the entrepreneur deserve some reward for thus adding to the well-being of the community, but if he did not receive that reward, he would not go to the trouble of initiating and maintaining a shoe manufacturing establishment.

The share going to the entrepreneur is determined less exactly than is the share of the land-owner, the capitalist, and the laborers. In dividing up the income of the business, the shoe manufacturer must, in an important sense, put himself last. Before there are finished shoes to sell, he must pay the land-owner rent, the capitalist interest, and the laborers wages. Before he is allowed to count out his own share he must also pay taxes to the government, pay insurance on his plant, and set aside an amount sufficient to keep his buildings and machinery in repair. He cannot evade the payment of rent, interest, or wages on the plea that these payments will diminish his profits. He has contracted to pay the landlord, the capitalist, and the laborers, and he must fulfill that contract. If, after paying all of his expenses, there is anything left, the entrepreneur retains it as profits. Sometimes this share is very large, sometimes it is so small as to force the entrepreneur out of business. In any case, the chief risks and responsibilities of the whole enterprise are concentrated upon the entrepreneur, rather than upon the land-owner, the capitalist, or the laborers.

91. THE DETERMINANTS OF EACH SHARE.--To sum up, the share of the joint

industrial income going respectively to the land-owner, the capitalist, and the laborers is determined by the interaction of the forces of supply and demand, operating under conditions of free competition. The entrepreneur's demand for land, labor, or capital will depend upon whether or not he sees an opportunity, under a particular set of circumstances, to add to his product by the employment of each or all of these factors. Where the supply of laborers is large, relatively to demand, the promised product of any one laborer is likely to be relatively small, and in this case the entrepreneur or employer will be unwilling or even unable to offer a particular laborer high wages. Under these circumstances the competition of the many laborers for the few jobs will accordingly bring about lower wages. Where, on the other hand, the supply of laborers is small, relatively to demand, the chances that a particular laborer will be able to add to the product are relatively great, and the competition of employers for laborers will result in higher wages. The same reasoning is applicable to rent and interest. The automatic operation of the law of supply and demand, functioning in a freely competitive market, determines the shares which go to land, labor, and capital. The share going to the individual entrepreneur is, as has already been pointed out, a residual share, _i.e._ what is left over.

QUESTIONS ON THE TEXT

1. What is meant by the distribution of industrial income?

2. Why was this distribution of relatively small importance prior to the Industrial Revolution?

3. In what way did the Industrial Revolution accentuate the importance of the problem of distribution?

4. What are the chief difficulties which confront the student of this problem?

5. What belief has given rise to the charge of injustice in the distribution of wealth?

6. Explain the significance of the entrepreneur in distribution.

7. What is the nature of rent?

8. Why does the capitalist receive interest?

9. Why does the laborer receive wages?

10. What is the government's share in distribution?

11. What is the nature of profits, and how are they determined?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter ix.

Or all of the following:

2. Carver, _Elementary Economics_, chapters xxx and xxxi.

3. King, _Wealth and Income of the People of the United States_, chapter vii.

4. Thompson, _Elementary Economics_, chapters xx to xxiv inclusive.

QUESTIONS ON THE REQUIRED READINGS

1. What is meant by non-competing groups? (Thompson, page 296.)

2. What are the chief causes of the difference in wages in different occupations? (Carver, page 268.)

3. Upon what factors does the efficiency of the laborer depend? (Thompson, page 303.)

4. What is the functional theory of wages? (Carver, pages 261--262.)

5. Have wages increased or decreased since 1850? (King, page 173.)

6. What is the relation of risk to interest? (Thompson, pages 351--353.)

7. What is meant by the term "unearned increment"? (Thompson, pages 335--337.)

8. Define profits. (King, pages 155--156.)

9. Have profits increased since 1880? (King, page 177.)

10. Name some of the characteristics of the business man. (Thompson, pages 357--358.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Select for study some common commodity which passes through all or most of the stages of manufacture in your community, as, for example, a hammer, a shoe, flour or canned goods. Make a list of the various individuals who are connected with the production of this commodity. By whom are these various individuals paid? Does it appear to you that their services bear a close relation to the sums which they receive? Explain fully.

2. Select for study a plot of land which the owner has leased to a tenant in your community. Why is the tenant willing to pay rent for this plot? Why is he able to pay rent? Do you believe that under the existing circumstances he would be able to pay an increase of 10% in the rent? An increase of 50%? Explain.

3. Select for study an enterprise in your community in which the employer utilizes various groups of workmen. Classify the workmen on the basis of the amount of wages received. Why does the employer pay some high wages and others low wages?

4. Select for study a successful entrepreneur in your community.

Outline, either as the result of hearsay, or personal interviews with him, the qualities to which he apparently owes his success.

5. Make a study of an enterprise in your community which has either recently failed, or which is not now in a thriving condition. Attempt to discover the reasons for the failure to progress.

II

6. The law of variable proportions. (Carver, _Elementary Economics_, chapter xxix.)

7. The nature of income. (King, _Wealth and Income of the People of the United States_, chapter v.)

8. Relation of public education to income. (Thompson, _Elementary Economics_, pages 299-303.)

9. Reasons for the scarcity of capital. (Carver, _Elementary Economics_, chapter xxxvi.)

10. The productivity of capital. (Taussig, _Principles of Economics_, vol. ii, chapter xxxviii.)

11. Historical changes in the rate of interest. (Bullock, _Selected Readings in Economics_, pages 563-568.)

12. The rent of land. (Carver, _Elementary Economics_, chapter xxxiii.)

13. Causes of the scarcity of labor. (Carver, _Elementary Economics_, pages 270-271.)

14. Historical changes in the rate of wages. (Bullock, _Selected Readings in Economics_, pages 533-543.)

15. The nature of profits. (Carver, _Elementary Economics_, chapter xxxvi.)

16. Relation of profits to risk. (Taussig, _Principles of Economics_, vol. ii, chapter xlix, section 1.)

17. Qualities of a successful entrepreneur. (Taussig, _Principles of Economics_, vol. ii, chapter xlix, sections 3 and 4.)

18. Motives of business activity. (Taussig, _Principles of Economics_, vol. ii, chapter xlix, section 6.)

19. The government's share in distribution. (Carver, _Elementary Economics_, chapter xxxvii.)

CHAPTER X

BASES OF THE CAPITALISTIC SYSTEM

92. THE "CAPITALISTIC SYSTEM."--Modern industry is sometimes said to be headless, because the numerous individuals engaged in it are not systematically controlled or directed by a single agency. It is often said to be planless, since laborers, employers, and other industrial agents concentrate upon their individual desires and needs, rather than upon the needs of the community or nation as a whole.

And yet there is in modern industry a certain regularity of outline, and a general tendency to follow the economic laws discussed in the preceding three chapters. This circumstance prevents us from concluding that our industrial life is entirely a haphazard affair. It may, indeed, be said that we have an industrial system. Because of the great importance in it of capital, this system is commonly known as the "capitalistic system." The underlying principles of this system have already been mentioned or implied; nevertheless it will be to our interest in this chapter to develop and organize these principles so as to indicate just how they constitute the bases of capitalism.

93. ATTITUDE OF GOVERNMENT TOWARD INDUSTRY.--"It is the duty of the government," Gladstone once said, "to make it easy for the people to do right, and difficult for them to do wrong." According to the theory of the capitalistic system, that is "right" which renders the individual and the community stronger, happier, and more prosperous in useful pursuits, while that is "wrong" which weakens or demoralizes the citizen and the community. The chief economic function of government is thus to discourage men from harmful and destructive acts, and to encourage them in activities which are helpful and productive.

Professor Carver points out that the method by which animals get their living is either destructive, deceptive, persuasive, or productive. Any one of these four methods may at least temporarily increase the well-being of the individual, but only the productive method is certain to benefit the community as well. A good government will therefore seek to prevent people from advancing their individual interests by killing, robbing, or deceiving their fellows. This suppression of violence and fraud leaves open to individuals only the productive method of getting a living, so that they cannot benefit themselves without at the same time adding to the prosperity of the community. From the standpoint of capitalism, thus, a good government maintains an attitude toward industry which is primarily negative: such a government hampers the economic activities of individuals very little or not at all, so long as they do not practice harmful methods of getting a living.

94. PRIVATE PROPERTY.--Most men are self-centered. In even a highly developed society, men ordinarily will not work consistently except in their own behalf, or in the behalf of a very few people for whom they care intensely. This instinct of self-interest is the kernel of industrial progress, but it can result in material prosperity only when government suppresses violence and fraud. The lowest savages are undoubtedly self-centered, but so long as they must rely upon brute force to retain their possessions, there is little inducement to acquire wealth. It is only when law suppresses robbery and fraud, and otherwise protects the individual in his property rights, that the acquisitive instinct will cause him to exert himself in productive ways. Because it satisfies the individual's desire to secure the good things of life, the institution of private property is the greatest

known spur to economic activity, It is only in those countries where individuals are protected in their property rights that we find an active, progressive, and prosperous people.

95. ENFORCEMENT OF CONTRACTS.--We have already seen that among the members of a modern industrial society there is a high degree of interdependence, corresponding, in an important sense, to the interdependence between the parts of a machine. As we have seen, the typical individual in industry is a specialist, concentrating upon one particular kind of work, and depending upon his fellows to supply him with goods and services which he cannot supply for himself. Now, such a condition of interdependence could never have arisen were it not for the fact that government fosters the spirit of confidence among individuals. Many persons can be trusted to fulfill the agreements or contracts which they make with their fellows, but many cannot. A prime function of government, therefore, is to enforce contracts entered into voluntarily and in legal form. This is clearly essential to our material prosperity, for if men are to rely upon the word of those who sell them goods or services, or to whom they sell goods or services, all of the individuals concerned must be dependable.

96. COMPETITION.--A good government will shunt men into productive activities, and it will insist upon the fulfilment of lawful contracts. Subject to these two limitations, individuals are relatively free to seek their own well-being. But an earmark of economic goods is scarcity, that is, there are at a given time and place fewer of them than are desired. Men must therefore compete with one another for goods and services. The lower animals compete for food with tooth and claw; among civilized men government tries to raise competition to an ethical plane by tending to suppress all but the productive methods of competition.

Where competition is so restricted and safeguarded, advocates of capitalism assert that the results are overwhelmingly good. Where there is free competition, _i.e._ free competition in productive enterprise, employers commonly pay their laborers as high a wage as they feel is justified under the particular circumstances, lest their workmen abandon them for rival employers. Under similar conditions, laborers will generally endeavor to render the best possible service, so that the employer will prefer them to other laborers. This assumes, of course, that competition is effective, _i.e.,_ that there is neither an oversupply or an undersupply of either employers or employees.

Where, again, there is free competition in productive enterprise, the price of commodities produced by a given concern cannot rise too far, for consumers will either buy those commodities of rival producers, or will use substitutes. If, on the other hand, prices drop so low that producers make little or no profits, they will withdraw from business.

Free and effective competition thus means rivalry in satisfying wants, that rivalry being engaged in for the sake of private gain. Competition tends to harmonize the interests of the individual with the interests of the community, by making the success of the individual depend primarily upon what he accomplishes for his fellows.

97. VALUE UNDER CONDITIONS OF FREE COMPETITION.--In a competitive market, as we have seen, value depends upon scarcity and utility. No one will ordinarily pay for a commodity unless it will satisfy his

wants, i.e. unless it has utility. But even though a commodity has utility, no one will ordinarily pay for it unless it is so scarce that he cannot get as much of it as he wishes without paying for it. Air, for example, has great utility, but it is so abundant that it can ordinarily be secured without payment. Hence it has no value.

Price, the measure of value in terms of money, will be determined, under conditions of free competition, by the interaction of utility and scarcity. Diamonds are high in price because they satisfy intense desires and are scarce; bread is cheap because while possessing great utility, it is relatively abundant. Skilled labor receives high wages because in addition to its utility it is relatively scarce; unskilled labor often receives low wages because while possessing utility it is relatively abundant. This principle is of the very greatest consequence, and in considering the programs of industrial reform we shall come back to it again.

98. FREEDOM.--A large measure of personal liberty is a characteristic of the capitalistic system, To an increasing extent, government is restricting economic activity to productive channels, but with this qualification, the individual is comparatively free to do as he likes. The laborer is free to move about in search of work, free to seek a better job, free to accept or to reject work offered him. He may abandon his job when he chooses, and remain idle as long as he chooses, or is able. He is repressed by no paternalistic government, embarrassed by no feudal system. He is part and parcel of the competitive system, guiding his own actions and accepting responsibility for them. To a large extent, the employer is similarly free to hire or discharge men as he sees fit, to initiate a new business, or to withdraw from business altogether. In every case the individual is free, so far as legal restrictions are concerned, to use his money as he chooses. Whether it is hoarded, invested, or wasted is largely a matter for him to determine.

99. BENEFITS OF THE CAPITALISTIC SYSTEM.--The material prosperity of the modern world has been attained under the capitalistic system of industry. The system was not invented, but has developed and spread from small beginnings because the experience of centuries has proved it to be the best known system which is applicable to human industry. The starting point of all material prosperity has been the gradual development of government which suppresses violence and fraud, which enforces contracts, and which makes possible the rise of the institution of private property. The inception of the Industrial Revolution, and its spread beyond England to Europe, America, and, later, to Asia, were possible only because these bases of capitalism were already laid. To a large extent, thus, the steam engine, the railroad, the steamship, the electric light, and countless other inventions which have helped to revolutionize the world we live in, may be traced directly or indirectly to individual freedom and to the protection of property rights. In so far as science, art, and literature depend, to a considerable degree, upon material prosperity, we may go so far as to say that capitalism is the most important single basis of modern civilization.

100. DEFECTS OF THE CAPITALISTIC SYSTEM.--But capitalism is not without its defects. The lack of centralized control in industry allows of planless production. [Footnote: During our participation in the World War, it is largely true that much of the productive energy of the country was organized and directed as a unit. This was a

temporary expedient, however, resorted to for the purpose of winning the war.] Entrepreneurs frequently produce without adequate knowledge of demand, and without knowledge of rival production. When business is booming and profits are high, it often happens that so many individuals go into business that eventually there is over-production, i.e. there are more goods at a particular time than can be sold at a profit. Crises, unemployment, and "hard times" are often the direct result of this over-production. Malnutrition, disease, vice, crime, and pauperism are often its indirect results.

In still other ways the capitalistic system allows of an uneconomical expenditure of labor and capital. There is no adequate method of directing labor and capital toward the production of durable and helpful commodities, and away from the production of luxuries and such harmful commodities as have not been made illegal. Under competitive conditions, too, a number of shops or stores may exist in a community that might easily be served by a single firm. This is wasteful duplication, just as advertising is a waste when it goes beyond the point of informing the public as to whereabouts and character of commodities. Still another source of waste is traceable to an excessive number of middlemen, each of whom adds to the price of the product as it passes through his hands.

101. THE INEQUALITY OF WEALTH.--In all of the great industrial countries of the world, including the United States, the existing distribution of wealth is roughly in the form of a pyramid, i.e., at the top or apex of the pyramid there is a relatively small number of persons who enjoy large incomes, while at the base there is a large number with relatively small incomes. This inequality is explained by Professor Taussig on two grounds: First, it is likely that some individuals originally secured an economic advantage over their fellows because of inborn superiority of some kind. Second, the economic advantage thus secured has been maintained from generation to generation by inheritance. Where, for example, wealth is invested so that the principal remains intact while a large annual income is thrown off as interest, the heirs may live in affluence, regardless of ability or desert. Thus we have a leisure class emerging as the result of inborn differences between men, supplemented by the accumulation of wealth and its transmission by inheritance.

102. THE QUESTION OF INDUSTRIAL REFORM.--It goes without saying that great inequalities in the distribution of wealth are undesirable. If any improvement is humanly possible, we ought not to rest content so long as millions of our citizens have too few of the good things of life, while others have much more than is necessary for comfort and happiness. The test of an economic system is whether or not it provides a good world to live in, and so long as large numbers of individuals have fewer necessities and comforts than it is possible to give them, our economic system must be considered defective. The people as a group are both the means and the end of progress. Democracy cannot rest upon any other basis than the greatest good to the greatest number.

103. APPROACHING THE PROBLEM.--In approaching the problem of industrial reform it is necessary to cultivate a fair and sane attitude. We must attack all of the problems of American democracy, certainly. But in so far as some of these problems involve the integrity of the capitalistic system, we should distinguish between ills which are clearly traceable to that system, and defects which

obviously would exist under any industrial system. Capitalism cannot be discredited, for example, by pointing out that crime exists in all capitalistic countries. Though capitalism may accentuate some types of crime, our knowledge of human nature leads us to suspect that a considerable amount of crime would exist under any known system of industry. Again, criticism should be constructive; it is easy to point out the defects of an institution, but it is quite another thing to provide a good substitute for that institution.

The problem before us is a double one: First, can we remedy the defects of the capitalistic system? And, if so, by what method shall we proceed? Second, if the defects of capitalism cannot be remedied, what industrial system shall be substituted for capitalism? It is not a question of whether or not capitalism is faulty, but of whether it is more faulty than the system that would be substituted for it. The virtues of capitalism, most authorities believe, clearly outweigh its defects, and though some other system may eventually prove to have as great virtues with fewer defects, the burden of proof is upon those who advocate other systems than capitalism. Until the advantage is clearly shown to be on the side of a rival system, it will be wise to retain capitalism.

QUESTIONS ON THE TEXT

1. Is it correct to speak of a "capitalistic system"?

2. What is the chief economic function of government?

3. Name the four methods of getting a living. Which will be encouraged by a good government?

4. To what extent is the attitude of a good government toward industry a negative one?

5. What is the relation of government to the institution of private property?

6. What is the importance of laws requiring the enforcement of contracts?

7. Why is there competition?

8. How does competition tend to harmonize the interests of the individual with those of the community?

9. Why are diamonds high in price? Why is bread low in price?

10. What is the relation of capitalism to economic freedom?

11. What can be said as to the benefits of capitalism?

12. What are the chief defects of capitalism?

13. Outline the existing distribution of wealth.

14. On what two grounds does Professor Taussig account for this situation?

15. What facts should be borne in mind in attacking the problem of industrial reform?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter x.

Or all of the following:

2. Ely, _Outlines of Economics_, chapter ii.

3. Fetter, _Modern Economic Problems_, chapter ii.

4. Hobson, _Evolution of Modern Capitalism_, chapter i.

5. Seligman, _Principles of Economics_, chapter ix.

QUESTIONS ON THE REQUIRED READINGS

1. Define capitalism. (Hobson, page 1.)

2. How has the development of mines affected the growth of capitalism? (Hobson, page 6.)

3. What is the relation of colonization to capitalism? (Hobson, pages 10-12.)

4. What is the relation of capitalism to a large labor supply? (Hobson, pages 13-14.)

5. Define private property. (Ely, page 21.)

6. Discuss the theories of private property. (Fetter, pages 18-20.)

7. What were the earliest forms of private property? (Seligman, page 126.)

8. What was the effect of the domestication of animals upon the institution of private property? (Seligman, pages 126-127.)

9. What are the limitations of private property? (Fetter, pages 20-21.)

10. What is meant by the term "vested interests"? (Ely, pages 25-26.)

11. What is "fair" competition? (Ely, pages 29-30.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Suppose an unscrupulous individual fraudulently secured possession of property belonging to you. What steps would you take to secure justice?

2. What penalties are inflicted in your state for highway robbery,

embezzlement, theft, forgery, and similar crimes against property?

3. Suppose that you are a florist and that you have ordered a large quantity of flowers from a greenhouse keeper for your Decoration Day trade. Assume that you could not sell the flowers at a profit if they arrived later than Decoration Day. Assume, also, that you have reason to suspect that the greenhouse keeper will not be prompt in delivering the flowers ordered. Draw up a contract (to be signed by him) which would protect you against his tendency to carelessness.

4. Select for study an isolated rural district, a small town, or a section of a suburb in which the community secures its supply of a given commodity from a single shop or store. Compare the price of the commodity, and its quality, with the price and quality of a similar commodity in stores located in communities served by several competing stores. What do you conclude as to the value of competition?

5. Make a study of bill-board advertising, listing the number of advertisements inviting purchase of competing commodities. Write to a bill-board advertising company for advertising rates, and draw your conclusions as to (_a_) the cost of advertising, and (_b_) the waste involved in advertising competing commodities.

Make a similar study of magazine advertising, writing to the advertising manager of the magazine selected for study, in order to secure advertising rates.

II

6. Relation of good government to economic prosperity. (Carver, _Elementary Economics_, chapter vii.)

7. Competition. (Seligman, _Principles of Economics_, chapter x.)

8. Methods of struggling for existence. (Carver, _Elementary Economics_, page 40.)

9. The development of economic freedom. (Seligman, _Principles of Economics_, chapter xi.)

10. Distribution of wealth in the United States. (Taussig, _Principles of Economics_, vol. ii, chapter liv; King, _Wealth and Income of the People of the United States_, chapter ix.)

11. Place of machinery in the capitalistic system. (Hobson, _Evolution of Modern Capitalism_, pages 27-29.)

12. The impersonality of modern life. (_Lessons in National and Community Life_, Series B, pages 97-104.)

13. The extent of poverty in modern life. (Burch and Patterson, _American Social Problems_, chapter xvi.)

B. PROGRAMS OF INDUSTRIAL REFORM

CHAPTER XI

SINGLE TAX

104. DEFINITIONS.--The words "single tax" refer to a policy under which all public revenue is to be raised by a single tax on land value. All other taxes are to be abolished. By land value is meant the value of the land itself, irrespective of all improvements, such as ditches, drains, and buildings. Everything done on the land to increase its value would be counted as an improvement, and would thus be exempt from taxation. This would leave only location value and fertility to be taxed. By location value is meant that value which is due to the situation of the land. For example, land in a wilderness has little or no location value, but if, later, schools, stores, railroads, and other elements of community life develop in that region, the land may take on great value because of its location in the community. The fertility value of land is that value which is due to natural endowment in the way of moisture, climate, and soil elements.

105. HENRY GEORGE AND HIS WORK.--The doctrine of single tax is closely associated with the name of Henry George, an American reformer who died in 1897. His theory was best developed in his book, _Progress and Poverty_, published in 1879. In this book George points out that in spite of the progress of the world, poverty persists. This is due chiefly, he contends, to the fact that land-owners take advantage of the scarcity of good land to exact unduly high prices for its use. According to George, this monopoly of the gifts of Nature allows landowners to profit from the increase in the community's productiveness, but keeps down the wages of the landless laborers. "Thus all the advantages gained by the march of progress", George writes, "go to the land-owner, and wages do not increase."

George proposed to use the single tax as an engine of social reform, that is to say, to apply it with the primary view of leveling the inequalities of wealth. Value due to improvements was to be exempt from taxation, so that land-owners might not be discouraged from making improvements on their land. On the other hand, it was proposed that the single tax take all of the income due to location and fertility. This, according to George, would "render it impossible for any man to exact from others a price for the privilege of using those bounties of Nature to which all men have an equal right."

106. RESULTS CLAIMED FOR THE SINGLE TAX.--George claimed that the application of the single tax was highly desirable. If, through the medium of this tax, the government were to take from the land-owners all the location and fertility value of their land, two great benefits were to result. First, rich landlords would be deprived of much unearned wealth. Second, the wealth so secured, called the unearned increment, could be used to make life easier for the poor. Ultimately, George went so far as to claim, the single tax would "raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crimes, elevate morals and taste and intelligence, purify government, and carry civilization to yet nobler heights." The steps by which George arrived at this gratifying conclusion are obscure, and practically every modern economist agrees

that too much has been claimed for the theory. Nevertheless, there is much to be said on both sides of this interesting question.

107. ARGUMENTS FOR THE SINGLE TAX.--Single taxers claim that it is just to take from land-owners that land value which is not due to their individual efforts. Fertility, on the one hand, is due originally to the bounty of Nature, and as such belongs to all men alike, rather than to particular individuals. Location value, on the other hand, is due to community growth, and should therefore be taken for the benefit of the community at large.

A very strong argument in favor of the single tax is that land cannot be hidden from the tax assessor, as can stocks, bonds, jewels, and other forms of personal property. A single tax on land would, therefore, be relatively easy to apply.

A tax on the location and fertility value of land would not discourage industry. Location value is largely or entirely due to community growth, rather than to the efforts of the individual land-owner. Fertility, of course, is largely a natural endowment, and as such cannot be destroyed by a tax. The land would continue to have all of its location value, and probably much of its fertility value, whether or not the owner were taxed.

Another argument is that a single tax on land would eliminate taxes on live stock, buildings, and all other forms of property except land, and that this would encourage the development of the forms of property so exempted. This would stimulate business.

It has also been said that the single tax would force into productive use land which is now being held for speculative purposes. It is claimed that many city tracts remain idle because the owners are holding them in the hope of getting a higher price in the future. According to the single taxer, a heavy tax would offset this hope of gain, and would force speculators either to put the land to a productive use, or to sell it to someone who would so employ it.

A last important argument in favor of the single tax is that it might force into productive work certain capable individuals who are now supported in idleness by land rents. Professor Carver has pointed out that if the single tax deprived such persons of their incomes, they would be forced to go to work, and thus the community would gain by an increase in the number of its productive workers.

108. ARGUMENTS AGAINST THE SINGLE TAX.--The most important objection to the single tax is that the confiscation of land, or, what amounts to the same thing, the confiscation of the income which land yields, is unjust. "Pieces of land," Professor Seager points out, "have changed hands on the average dozens of times in the United States, and present owners have in most cases acquired them not as free gifts of Nature, nor as grants from the government, but by paying for them, just as they have had to pay for other species of property." Where individuals have acquired land in good faith, and under the protection of a government which guarantees the institution of private property, the confiscation of land value would be demoralizing to the community and unfair to its land-owning citizens.

Another difficulty lies in the ease with which value due to permanent improvements is confused with value due to location or fertility.

Where money has been expended in draining land, removing stones or applying fertilizer, it is hard to tell, after a few years, what part of the value of the land is due to improvements. The possibility of this confusion would cause some land-owners to neglect to improve their land, or might even cause them to neglect to take steps to retain the original fertility. Thus the single tax might result in the deterioration of land values.

It is also objected that the single tax would provide an inelastic taxation system. This means that it would tend to bring in an equal amount of revenue each year, whereas the revenue needs of government vary from year to year. A good tax system will accommodate itself to the varying needs of the government, always meeting the expenses of government, but at the same time taking as little as possible from the people. [Footnote: Some opponents of the single tax declare that the heaviest possible tax on land would yield only a fraction of the revenue needed to finance the government. Single taxers, however, maintain that the tax would yield more than enough revenue to meet public expenditures. The merits of this argument are uncertain.]

It is doubtful whether the single tax would force into productive use land now being held by speculators. Even though a heavy tax were laid upon such land, it would not be utilized unless there were an immediate use to which it could profitably be put.

A last important argument against the single tax is that there is no good reason for removing the tax burden from all except land-owners. Land is only one form of wealth, and it is unfair not to tax individuals who hold property in some other form. Some land value is indeed unearned, but there are other forms of unearned wealth, as, for example, monopoly gains and inherited property. Taxes ought to be levied upon these forms of unearned wealth, as well as upon the unearned income from land. It is desirable, too, to levy at least a light tax upon the propertyless classes, in order to encourage them to feel an interest in, and a sense of responsibility for, the conduct of their government.

109. SERVICE RENDERED BY THE SINGLE TAX AGITATION.--Economists are unanimous in agreeing that the single tax, as expounded by Henry George, is too drastic and special a reform to find wide favor. Nevertheless, the single taxers have performed a valuable service by emphasizing the fact that in many cases the income from land is largely or entirely unearned. It would be manifestly unjust to dispossess present-day land-owners who have acquired land in good faith; on the other hand, most economists agree that we ought to reform our tax system so as to take for the community a larger share of the future unearned increment of land values. As Professor Taussig has pointed out, no one has a vested right in the indefinite future. The taking of this future unearned increment, it is hardly necessary to add, would not constitute a single tax, but rather a heavy land tax. Many other taxes would continue to be levied. [Footnote: The general problem of taxation is discussed in Chapter XXXIL]

QUESTIONS ON THE TEXT

1. Define the single tax.

2. What is location value?

3. Define fertility value.

4. Who was Henry George?

5. What benefits, according to George, were to result from an application of the single tax?

6. Give the chief arguments in favor of the single tax.

7. Give the chief objections to the doctrine.

8. What service has been rendered by the single tax agitation?

9. What is the attitude of most economists toward the future unearned increment of land?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xi.

Or all of the following:

2. Carver, _Elementary Economics_, chapter xlv.

3. George, _Progress and Poverty_, book ix.

4. _International Encyclopedia_, vol. 21, article on "Single Tax."

QUESTIONS ON THE REQUIRED READINGS

1. Who were the Physiocrats? (Carver, page 372.)

2. What is the "ethical argument" in favor of the single tax? (_International Encyclopedia_, vol. 21, page 136.)

3. What is the "expediency argument" in favor of the single tax? (_International Encyclopedia_, vol. 21, page 136.)

4. What is meant by "mining" the soil, and what is the relation of this practice to the single tax? (Carver, pages 375-376.)

5. What, according to George, would be the effect of the single tax upon production? (George, book ix, chapter i.)

6. What, according to George, would be the effect of the single tax upon the distribution of wealth? (George, book ix, chapter ii.)

7. What are the present aims of the single tax movement? (_International Encyclopedia_, vol. 21, page 137.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Select for study a plot of farm or garden land in your locality.

(a) What is the market value of the land?

(b) Is it more or less valuable than similar plots in the same neighborhood? Why?

(c) To what extent is the value of the plot selected for study due to natural fertility?

(d) To what extent is the value due to location?

(e) To what extent is the value due to permanent improvements, such as drains, ditches, hedges, fences, or the use of fertilizer to retain or increase the natural fertility?

(f) If you were the owner of this plot, to what extent, if to any, would your future use of this land be affected by the adoption of the single tax program?

2. Select for study a plot of ground in your locality which has been idle for a number of years.

(a) Why has this ground been idle so long?

(b) Do you believe that this land is being held for speculative purposes?

(c) If so, suppose that a very heavy tax stimulated the owner to put the land to some use. Do you know of a productive use to which it could be put?

II

3. The life of Henry George. (Consult an encyclopedia.)

4. The economic background of Henry George's doctrine. (Young, _The Single Tax Movement in the United States_, chapter ii.)

5. Is land-ownership a monopoly? (Seligman, _Principles of Economics_, page 391.)

6. Tactics of the single tax movement. (Young, _The Single Tax Movement in the United States_, chapter xii.)

7. Relation of the single tax to socialism. (Young, _The Single Tax Movement in the United States_, pages 307-312.)

CHAPTER XII

PROFIT SHARING AND COÖPERATION

A. PROFIT SHARING

110. THE NATURE OF PROFIT SHARING.--The essence of profit sharing is

that the workmen in a given enterprise receive, in addition to their regular wages, a share in the profits which would ordinarily go entirely to the entrepreneur. The share going to the employees varies with the establishment, but generally from one quarter to three quarters of the profits are divided among them.

Distribution is by various methods. The workmen may receive their share in cash at the end of the year. Sometimes the money is placed in a provident fund for the workmen as a body; in other cases it is deposited in savings banks to the account of the individual workmen. In still other cases the workman's share is invested in the business for him, the workman thereafter receiving dividends on this invested capital.

In every case, however, the division of profits among the individual laborers is on the basis of the wages received, that is to say, the higher the regular wage received by a workman, the larger will be his share of the profits set aside for distribution. Generally, too, only workmen who are steadily employed are allowed to share in the distribution of profits.

111. LIMITS OF PROFIT SHARING.--Profit sharing was once considered a remedy for many of our industrial troubles, but it is now generally conceded that the plan is decidedly limited in scope. Profit sharing increases the income of the workmen involved, but for this very reason it is often bitterly opposed by the trade unions. The unions fear, of course, that the plan will make the workmen interested chiefly in the employees of their particular establishment, rather than in the workmen in the trade as a whole. The trade unions also maintain that profit sharing is often administered in a patronizing manner, which is offensive to the self-respect of the workmen.

To a large extent, the spread of profit sharing depends upon the development of altruism among employers. But unfortunately altruistic employers are rare, and the majority of entrepreneurs will not adopt the profit-sharing plan unless it promises to result in some distinct advantage to themselves. This attitude explains, in part, the failure of many profit-sharing experiments. Employers have sometimes tried out profit sharing in the hope that it would prevent strikes and other labor troubles. In some cases this expectation has been realized; in many other cases serious labor troubles have continued. This continuance of labor troubles has rendered profit sharing less attractive to certain types of employers.

In certain cases employers have experimented with profit sharing in the hope that it would stimulate efficiency and economy on the part of the workmen. Sometimes the immediate effect of the adoption of the plan has been to make the workmen more efficient and more interested in their tasks, but after the novelty of the scheme has worn off they have generally fallen back into their former pace. In justice to the workmen, it should be noted here that in most enterprises the conditions of the market and the employer's managerial ability have more influence upon profits than have the personal efforts of individual workmen. Where workmen realize this, they tend to lose faith in their ability to influence the share accruing to them under the profit-sharing plan.

A last important reason why profit sharing is limited in scope is that in many hazardous enterprises, such as mining, agriculture, fishing,

or building construction, the refusal and inability of the workmen to share in possible losses prevent the adoption of the plan. A mining corporation, for example, may make large profits one year, and lose heavily the second year. Profit sharing is here inadvisable, if not impossible. The distribution among the workmen of a large share of the profits accruing at the end of the first year might so deplete the financial reserves of the entrepreneur that he would be unable to meet the losses of the second year.

B. COÖPERATION

112. RELATION OF PROFIT SHARING TO COÖPERATION.--Profit sharing permits the workmen to secure more than a regular wage from a given enterprise, without, however, giving them any control over the management of the business. Coöperation goes a step farther, and attempts to dispense with either a number of middlemen or with the managing employer, or with both middlemen and employer. In the case of a profit-sharing scheme in which the share of the profits accruing to the workmen is invested in the business for them, ultimate control of the enterprise may come into the hands of the workmen through profit sharing. In such a case the plant might be conducted coöperatively. In practically every instance, however, coöperation does not grow out of profit sharing, but arises independently.

113. ESSENCE OF COÖPERATION.--The essence of coöperation is that a group of individuals undertake to perform for themselves those functions which are commonly carried on by the business man. Coöperatives are often workmen, though not necessarily so.

Under the coöperative plan, all of the profits of the enterprise are divided among the coöperators; on the other hand, the risks of the business must also be borne by them. Management of the enterprise is conducted partly by officers or committees serving without pay, and partly by paid agents. The general policies of the business are settled by the coöperators acting as a body.

Coöperation seeks to exchange the centralized control of the business man for the diffuse control of a group of coöperators. This arrangement, its advocates hope, will permit wealth and power to be distributed among more and more people, and especially among those classes that possess relatively little property. Let us inquire briefly into the four types of coöperation.

114. CONSUMERS' COÖPERATION.--Consumers' coöperation, also known as distributive coöperation or coöperation in retail trade, is the most common form of coöperation. It is also probably the most successful form.

In this form of coöperation, a number of individuals contribute their savings to a common fund, buy certain desired commodities at wholesale prices, and distribute these among themselves. Generally, the coöperative store sells to its members at the regular retail price, but at stated intervals throughout the year the profits of the business are distributed among the coöperatives in proportion to the amount of their individual purchases. Thus the difference between the wholesale and the retail price--minus the expense of conducting the store--goes to the coöperators, instead of to a store keeper or other middleman.

One of the best examples of consumers' coöperation is the Rochdale Society of Equitable Pioneers, established in England in 1844. This type of coöperation has also been remarkably successful in Germany, Belgium, and other continental countries. The idea was taken up in the United States about the middle of the nineteenth century, and at the present time there are in this country about 2000 coöperative stores, many of them doing a thriving business. These stores are located chiefly in New England, the North Central States, and the West, few being found in the South.

115. COÖPERATION IN CREDIT.--Credit coöperation may take any one of a number of forms. In one of the best known forms, a group of persons form a credit society by contributing a proportion of their personal savings to a common fund. On the strength of this capital, and of their own individual liability, they borrow more capital. The total amounts thus got together are then loaned to the members of the society at a specified rate of interest. This rate of interest is higher than that at which the group had borrowed money from outside sources; nevertheless, it is lower than the rate members would have to pay if they individually sought loans at a bank. This is the aim of coöperation in credit: to enable persons of small means to secure loans without paying the high rates which as individuals they would ordinarily have to meet, if, indeed, they as individuals could secure loans under any conditions.

Credit coöperation has been most successful in Germany, particularly among artisans and small farmers. It has also attained considerable success among the small tradesmen and artisans of Italy. In the United States coöperation in credit is less highly developed, but recently its influence has been slowly increasing. In many cases it supplies the principle underlying building and loan associations in this country.

116. COÖPERATION IN MARKETING.--The coöperative principle has also been applied to the marketing of agricultural products. In Denmark, for example, it has been found that farmers can market their dairy products coöperatively, and thus save for themselves much of the profit that would otherwise go to commission agents and other middlemen. A similar saving has been effected in Holland, Belgium, and, to some extent, in France. Of recent years, coöperation in marketing has become important in the United States, finding particular favor among the farmers of the Middle and Far West. At the present time there are in this country more than two thousand coöperative cheese factories, and more than three thousand coöperative creameries. There are also more than a thousand societies for the coöperative marketing of fruit, as well as numerous live-stock selling agencies.

117. COÖPERATION IN PRODUCTION.--The three forms of coöperation which we have been considering seek to eliminate unnecessary middlemen from industry. In producers' coöperation, on the other hand, the attempt is made to get rid of the entrepreneur, or managing employer. A group of workmen get together, subscribe or borrow the required capital, purchase tools, materials, and plant, and set up as producers. They seek markets for their product, direct the enterprise either as a group or through salaried agents, share the profits among themselves, and accept the risks of the enterprise.

Coöperation in production has been tried repeatedly in the various

countries of Europe, but without success. True producers' coöperative associations have also met with almost universal failure in the United States, though experiments have been made in a variety of industries, and in nearly every part of the country. Formerly the Minneapolis Coöpers were a coöperative group which seemed destined to attain a considerable success in production, but this group has now abandoned the coöperative principle. The coöperative marketing of fruit, cheese, and other agricultural products is, of course, not true producers' coöperation, but rather the coöperative marketing of commodities produced by individual enterprisers.

118. BACKWARDNESS OF COÖPERATION IN THE UNITED STATES.--In all forms of coöperation, progress has been much slower in this country than in Europe. There are several reasons for this. For one thing, American workmen move about to a greater extent than do European workmen, whereas coöperation succeeds best where the coöperators have a fixed residence and develop a strong sense of group solidarity. The fact that our population is made up of diverse racial types likewise checks the growth of the feeling of solidarity.

An important reason for the backwardness of the coöperative movement in this country is that American workmen "make, rather than save money," whereas coöperation requires thrift, and a willingness to practice small economies. Again, the efficiency and progressiveness of our industrial system renders coöperative ventures less necessary in this country than in some parts of Europe. It is particularly true that retail stores in the United States are more efficient than similar shops in England and on the Continent.

Altogether, the most successful coöperators in this country are not native-born Americans, but groups of Finns, Russians, Slovaks, and other peoples of immediately foreign derivation. It is among these groups that the thrift and group solidarity demanded by coöperation are best found.

119. LIMITS OF COÖPERATION.--Consumers' coöperation, coöperation in credit, and coöperation in marketing all seek to improve the capitalistic system by eliminating some of the unnecessary middlemen from our industrial life. In so far as this is true, these forms of coöperation are desirable developments, and deserve to succeed. Though the movement is limited by the considerations set forth in the preceding section, it is to be hoped that these three forms of coöperation will in the future show a considerable development in this country.

Producers' coöperation is a different affair. Rather than attempting to decrease the number of unnecessary middlemen, it attempts to supersede the entrepreneur or managing employer where he is most needed. For this reason producers' coöperation will probably continue a failure. To run a modern business of any size at all requires a degree of intelligence, imagination, judgment, courage, and administrative ability which is altogether too rare to be found among casual groups of laborers. Varied experience, high ability, the determination to accept the risks of the enterprise, and a consistent singleness of purpose are necessary in modern production. Even though coöperators are able to secure an amount of capital sufficient to initiate production, they rarely have the requisite ability or experience; too often they object to accepting the risks of the enterprise; practically never can they administer the business with

that unity of control which characterizes the most successful business enterprises.

120. BENEFITS OF COÖPERATION.--While no longer considered a far-reaching industrial reform, the coöperative movement brings with it many benefits. Coöperation in retail trade, credit, and marketing cuts down the waste between consumer and producer, and thus helps substantially to reduce the cost of living. Coöperation in production, though it fails to reach its chief objective, has the virtue of demonstrating to groups of workmen that the entrepreneur is of far more value in our industrial life than they might otherwise have realized. Aside from these advantages, coöperation in any form is an important educative force. It fosters the spirit of solidarity and mutual helpfulness among members of a group or community. It teaches thrift. It trains the coöperating individuals to exercise foresight and self-control. Altogether the training which it affords is productive of good citizenship.

QUESTIONS ON THE TEXT

1. Explain clearly the nature of profit sharing.

2. What is the attitude of the trade unions toward profit sharing?

3. What is the attitude of the employer toward profit sharing?

4. Does profit sharing result in increased efficiency on the part of the workmen? Explain.

5. What is the relation of profit sharing to coöperation?

6. What are the essential features of coöperation?

7. Explain the principle involved in consumers' coöperation.

8. Where has this form of coöperation been most successful?

9. What are the essential features of credit coöperation?

10. Where is credit coöperation most successful?

11. What is the aim of coöperation in marketing?

12. In what way does producers' coöperation differ from the other forms of coöperation?

13. To what extent is producers' coöperation a success?

14. Why is coöperation backward in this country?

15. Outline the chief benefits of coöperation.

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xii.

Or all of the following:

2. Fay, _Coöperation at Home and Abroad_, part iv, chapter v.

3. Harris, _Coöperation, the Hope of the Consumer_, chapter vi.

4. _International Encyclopedia_, vol. 19, article on "Profit Sharing" and vol. 6, article on "Coöperation."

5. Taussig, _Principles of Economics_, vol. ii, chapter lxix.

QUESTIONS ON THE REQUIRED READINGS

1. What is the principle upon which profit sharing is based? (_International Encyclopedia_, vol. 19, page 244.)

2. Discuss the origin of profit sharing in the United States. (_International Encyclopedia, vol. 19, page 244.)

3. Give some examples of profit sharing in this country. (_International Encyclopedia_, vol. 19, pages 244-245.)

4. Describe the earlier forms of coöperation in this country. (_International Encyclopedia_, vol. 6, page 44.)

5. For what purpose was the "Rochdale plan" originated? (Harris, page 88.)

6. Discuss voting rights under the Rochdale plan. (Harris, pages 90-91.)

7. Describe the store service under the Rochdale plan. (Harris, pages 93-94.)

8. How does the Rochdale plan promote thrift? (Taussig, pages 348-349.)

9. Why has coöperation succeeded in Great Britain? (Taussig, page 350.)

10. What is the Schulze-Delitzsch plan? (Taussig, pages 352-353.)

11. What is the Raiffeisen plan? (Taussig, page 354.)

12. Among what classes of the population is coöperation of greatest importance? (Taussig, pages 347-349.)

13. How does coöperation teach self-government? (Fay, pages 324-325.)

14. How has coöperation encouraged thrift? (Fay, page 329.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make a study of a profit-sharing plan in your locality. (Write to the Bureau of Labor Statistics at your State Capitol, asking for the names and addresses of employers in your locality who have

experimented with profit sharing.)

2. Interview, or write to, an employer, explaining the essence of profit sharing, and asking his opinion as to its practicability in his business.

3. Interview, or write to, the officials of a trade union, regarding their attitude toward profit sharing.

4. Write to the Coöperative League of America, 2 West 13th Street, New York City, asking for free literature on coöperation in your section. If any of the groups of coöperators in your section are found to be close at hand, make a study of a typical coöperative group.

5. Draw up a plan for a coöperative buying club, and discuss with your fellow students the chances for its success. (Consult Harris, _Coöperation, the Hope of the Consumer_, chapter xiv.)

6. Draw up a plan for the coöperative marketing of some agricultural product in your section. Send a description of the plan, giving advantages, etc., to a farm journal in your section. (Consult Powell, _Coöperation in Agriculture>/i>, chapter iv, and Coulter, _Coöperation Among Farmers_.)

II

7. Profit sharing as a method of securing industrial peace. (Burritt, and others, _Profit Sharing_, chapter vii.)

8. Profit sharing as a means of stabilizing labor. (Burritt, and others, _Profit Sharing,_ chapter vi.)

9. Relation of coöperation to advertising. (Harris, _Coöperation, the Hope of the Consumer,_ chapter xix.)

10. Credit coöperation in Germany. (Fay, _Coöperation at Home and Abroad,_ part i, chapter ii.)

11. Coöperation in dairying. (Fay, _Coöperation at Home and Abroad,_ part ii, chapter vi.)

12. Coöperation among New England farmers. (Ford, _Coöperation in New England,_ chapters vi-ix.)

13. Coöperation among immigrants in New England. (Ford, _Coöperation in New England,_ chapter iii.)

14. Coöperation in the fruit industries. (Powell, _Coöperation in Agriculture,_ chapter viii.)

15. The relation of thrift to nation-building. (_Annals,_ vol. lxxxvii, pages 4-9.)

16. The relation of coöperation to socialism. (Fay, _Coöperation at Home and Abroad,_ pages 350-355; Sonnichsen, _Consumers' Coöperation,_ part ii, chapter ii.)

CHAPTER XIII

THE GENERAL NATURE OF SOCIALISM

121. SOCIALISM IS A VAGUE TERM.--It is often said that the term "socialism" is so vague that it is useless to attempt to define it. The word is used to cover all sorts of schemes of industrial and social reform. Sometimes a person whose viewpoint concerning politics or business has become more liberal appears to himself or to others as a socialist. From the standpoint of many individuals, all those who advocate the extension of government control are socialists. Still others label as socialists all reformers with whose ideas they are not in accord. It very often happens that persons who pass in the community for socialists are not recognized as such by the official socialist parties. Indeed, certain official socialist groups go so far as to declare that other official socialist groups are "not really socialists," either in thought or in action.

122. A DEFINITION OF SOCIALISM.--In spite of this confusion it is possible to formulate a rather precise definition of socialism. Leaving until later the distinction between the chief socialist groups, we may say that the following definition covers all who are strictly socialists: Socialism is an economic theory which aims to abolish the capitalistic system, and to substitute for it "a system of collective ownership and democratic management of the socially necessary means of production and distribution." In rather more simple language, socialism intends that all income-producing property shall be owned and directed by the state. The state is to own and operate land, factories, workshops, railroads, and all other means of production. Private property and the competitive system are to be abolished. [Footnote: Socialism does not seek to abolish the private ownership of food, clothing, and other forms of consumers' goods, yet both socialists and non-socialists accept the unqualified statement that "socialism seeks to abolish private property." because it is the private ownership of producers' goods rather than of consumers' goods, which constitutes a cornerstone of the capitalistic system.] All business is to be conducted by the government, and all persons are to be employees of the government. The distribution of wealth is to be directed by the government.

123. RELATION OF SOCIALISM TO OTHER RADICAL THEORIES.--The terms "communism" and "socialism" call for careful distinction. What is now known as socialism was formerly known as communism. For example, Karl Marx, the founder of modern socialism, called himself a communist. His followers later abandoned the name, and began calling themselves socialists. Still later, during the World War, a group of Russian socialists, popularly known as the bolshevists, revived the term communist in the sense used by Marx. Strictly speaking, however, communism is generally thought of to-day as a type of small community organization in which all wealth, including both the instruments of production and consumers' goods, is owned by the community. Socialism, on the other hand, proposes that the state own and operate only the instruments of production, leaving food, clothing, and other consumers' goods to be owned and enjoyed by individuals.

Socialism is often thought of in connection with the doctrine of

anarchy. Anarchism and socialism are alike in that both object to one man having authority over another. Anarchism agrees with socialism that capitalism is bad because it gives the employer power over the laborer. But at this point the two theories begin sharply to diverge. Socialism desires to abolish private property and to concentrate all authority in the hands of the state. The anarchist maintains that this is simply a transference of authority, and declares that authority in any form is an evil. Thus where socialism seeks to enlarge the powers of the state, anarchism objects to the existence of any governmental authority whatsoever.

In addition to communism and anarchism, there are a number of interesting theories that are more or less closely associated with the socialist movement. These will not be discussed here, for two reasons: first, an adequate treatment of them would permit the problem of industrial reform to take up a disproportionate share of our time; second, many of these theories, while interesting, are relatively unimportant, from the standpoint of American democracy at least. We may, therefore, confine ourselves to socialism proper, as defined in Section 122.

124. KARL MARX AND HIS INFLUENCE.--The germ of socialism can be traced back as far as Plato, but the modern movement takes its main impetus from the teachings of Karl Marx. Karl Marx was a German Jew, who lived between 1818 and 1883. Marx early became known for his radical views on political and economic subjects. In 1848, he published, in collaboration with Frederick Engels, the well-known Communist Manifesto. The Manifesto, which has been called the "birth-cry of modern socialism," gives in concise form the essence of the socialist doctrine. In 1864 Marx helped organize the "International," a federation of radical thinkers, with affiliations in the different countries of Europe. In 1867 he published the first volume of his famous work, _Capital_, which elaborated the views set forth in the Manifesto, and which has since been adopted as the "Bible of Socialism." Due to the great influence which Marx has exerted upon socialist doctrine, he may justly be called the founder and inspiration of modern socialism.

125. THE SOCIALIST INDICTMENT.--The claims of socialism, as formulated by Marx and elaborated by his followers, constitute a serious indictment of present-day society. Socialists point out, for example, that the capitalistic system has numerous faults. They call attention to the fact that capitalism involves enormous wastes in materials and men; they show that luxurious and injurious goods are produced; and they maintain that in the past natural resources have often been monopolized by a few. They believe the system of private property to be unjust, and declare that free competition involves needless duplication of effort. At the present time, it is contended, all the good things of life go to a few, while the masses remain in poverty and misery. Socialists declare that the fruits of capitalism are unemployment, industrial accidents, crime, vice, poverty, disease, and premature death. These charges are serious, and Chapter XVI will be devoted to their critical examination. In this chapter we are concerned chiefly with an exposition of the socialist doctrine.

126. ECONOMIC INTERPRETATION OF HISTORY.--Formerly a great principle of socialism was the claim that all history has been determined by economic forces. According to this view, our whole social and political life, including our basic ideas concerning religion, art,

science, and government, are only the reflected result of economic forces. History, Marx contended, is the record of how one class has gained wealth and power at the expense of another class. The present state of society, he asserted, is the result of the exploitation of the masses by a few.

With this principle we need not further concern ourselves. It is an academic appendage to the socialist doctrine, and at the present time is not stressed by socialists. The majority of socialists now concede that while economic forces have been important in history, social, religious, and political forces are also important. In view of this admission, the chief importance of the doctrine of the economic interpretation of history is its theoretical connection with the two great cornerstones of socialism: the theory of surplus value, and the theory of class struggle.

127. THEORY OF SURPLUS VALUE.--Marx claimed that practically all wealth has been created by the laborers alone, and that all persons other than laborers are parasites. To those who have carefully studied Chapter VIII the error of this claim must appear self-evident, nevertheless, this concept of value is the basis of all socialist attacks upon government and industry. Marx developed this theory as follows:

The value of an article is determined solely by the amount of labor expended upon its production. But although the laborer creates all wealth, the capitalist is enabled, by virtue of his monopolistic control over the instruments of production, to prevent this wealth from going entirely to the laborer. [Footnote: By "capitalists" socialism means not only individuals with money to loan, but "employers" in general, whether middlemen, entrepreneurs, or true capitalists.] Socialism declares that the capitalist holds the laborer in virtual slavery, the laborer receiving only enough of the wealth created by him to enable him to keep alive, while the surplus of this wealth goes to the capitalist. The capitalist is thus a parasite who performs no useful task, but robs the laborers of the fruits of their industry. Marx did not regard profits as reward for business enterprise, but called them "plunder." Capitalism, according to this view, is a system of theft, involving "misery, oppression, slavery, degradation, and exploitation."

128. CLASS STRUGGLE.--Marx declared that the capitalistic system was doomed to destruction. He maintained that as time went on, wealth would tend to concentrate more and more in the hands of the capitalist or employing class. Trusts and monopolies would become more common, and gradually capitalism would become so unwieldy and so unworkable a mechanism that it would finally fall to pieces of its own weight. Crises, panics, and trade depressions were supposed to be indications of this inevitable disaster.

The tendency for wealth to concentrate in the hands of a few was to be accompanied by the growing poverty of the masses. Marx believed that the middle classes would eventually disappear, leaving only the wealthy employers and the miserable laborers. The individuals comprising these two classes would steadily draw apart into two great armies which were destined to battle to the death. Socialism denies that employers and laborers have anything in common, and insists that between these two groups a struggle must go on until the employing class is abolished.

129. WHAT IS THE ULTIMATE AIM OF SOCIALISM?--Nothing could here be more important than to know the ultimate aim of socialism, nevertheless, there is among socialists no agreement as to the framework of the system which they expect to substitute for capitalism. All socialists desire collective ownership and direction of the instruments of production, but beyond this there is practically nothing in the way of a constructive socialist program. Generally, it is declared that when capitalism has been abolished, the working classes will organize industry on the basis of communal ownership. In the socialist commonwealth there is to be no class struggle, for the reason that there are to be no classes. There is to be a just distribution of wealth, together with an abolition of poverty, unemployment, and all forms of social injustice. But as to how this is to be accomplished we have no proof. The so-called constructive program of socialism is not so much a definite agreement as to aims and methods, as it is a confused and disordered expression of the attitude of different socialist groups toward capitalism. Indeed, when socialists are asked to advance a concrete and definitely constructive program, the reply is often made that the advent of socialism is so far distant that the constructive side of its program is of no immediate consequence.

130. NEGATIVE CHARACTER OF SOCIALISM.--But although the constructive program of socialism is vague and unreal, its destructive or negative program is definite and very real. Socialism is opposed to government as it exists to-day, and to that extent, it disapproves of the Constitution of the United States. The capitalistic system is to be destroyed. The institution of private property is to be abolished. Free competition and private initiative are to be abolished or greatly restricted. All business is to be under the thumb of the government. Personal liberty is to be narrowed down. Some socialists even go so far as to declare war upon the family and the church, but though a number of socialist leaders favor the abolition of the institution of marriage, and are professed atheists, it should be borne in mind that the great majority of socialists are not openly hostile to the home and the church. Indeed, the average socialist is probably as friendly to these institutions as is the average non-socialist.

131. SOCIALIST ATTITUTE TOWARD VIOLENCE.--It is important to understand the methods of socialism. Throughout the greater part of his life, Karl Marx openly advocated violence and revolution as a means of securing the downfall of capitalism. Socialists, says the Communist Manifesto, "disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions." Toward the end of his life, Marx changed this view somewhat, and apparently came to believe that the overthrow of the capitalistic system might come gradually and without bloodshed. In accordance with this later view, there is to-day a considerable socialist group which disavows violence. Members of this group are known as political socialists.

On the other hand, many socialists cling to Marx's earlier insistence upon violence and bloodshed as a means of attaining socialist ends. Members of the latter class are known as militant socialists, as opposed to those who disavow violence and rely chiefly upon political weapons. The two best-known groups of militant socialists are the Industrial Workers of the World and the Russian bolshevists.

132. POLITICAL SOCIALISM.--Many political socialists are personally so mild and agreeable that the thought of unlawful action would never be associated with them. The political socialist relies chiefly upon the growing political power of the working class to effect the abolition of capitalism. This emphasis upon political weapons has been particularly noticeable among socialists living in democratic countries where the franchise is widely extended, and where the will of the people is reflected through the action of their chosen representatives. The political socialist makes a large use of propaganda. He tries to stir up the workingman, to create in him a feeling of solidarity with his fellow workmen, and to incite a feeling of antipathy toward, and dislike for, the employing class. The political socialist emphasizes or exaggerates the undesirable side of the laborer's life, and endeavors by promises of an industrial millennium to rouse him to political action. "Workingmen of the world, unite, you have nothing to lose but your chains," is the slogan of the political socialist.

133. ALL SOCIALIST TEACHINGS TEND TOWARD VIOLENCE.--Though large numbers of political socialists are peaceful and responsible citizens, it should be noted that all socialist teachings tend to result in violence. The insistence of socialism upon the class struggle, the deliberate encouragement of industrial ill-will and the general policy of obstructing the activities of government, all lead inevitably to violence. Strikes involving bloodshed have in many instances been traced to the teachings of political socialism. During the World War, many political socialists in the United States supported our cause, but others of this group opposed the selective draft, attempted to demoralize our military forces, and impeded the conduct of the war by giving aid and succor to German agents. By a series of slight steps, political socialism, theoretically law-abiding and harmless, may drift into treasonable and revolutionary acts. The difference between political and militant socialism is thus one of degree only.

QUESTIONS ON THE TEXT

1. Define socialism.

2. What is the relation between the terms "communism" and "socialism."?

3. How are anarchism and socialism related?

4. Who was Karl Marx, and what has been his influence upon socialism?

5. Outline the socialist indictment.

6. What is meant by the "economic interpretation of history"?

7. Explain clearly Marx's theory of surplus value.

8. Just what is meant by the class struggle?

9. Discuss the character of the socialist program.

10. Explain the attitude of Marx toward violence.

11. Distinguish between political and militant socialism.

12. Name the two chief groups of militant socialists.

13. In what respect do all socialist teachings tend to result in violence?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xiii.

Or all of the following:

2. _International Encyclopedia_, vol. 21, article on "Socialism."

3. Le Rossignol, _Orthodox Socialism_, chapter i.

4. Marx and Engels, _The Communist Manifesto_, all.

5. Skelton, _Socialism, a Critical Analysis_, chapter ii.

QUESTIONS ON THE REQUIRED READINGS

1. Explain why increasing social discontent among certain groups may be due to improvement in their social and economic condition. (Skelton, page 17.)

2. What, according to socialists, has been the effect upon the workers of the introduction of machinery into industry? (Le Rossignol, page 9.)

3. What, according to Marx, has been the effect of the factory system upon the laborer? (Skelton, pages 33-34.)

4. What is meant by "wage slavery"? (Skelton, pages 30-32.)

5. What is meant by the "iron law of wages"? (Le Rossignol, page 9.)

6. What, according to socialism, has been the effect of capitalism upon the moral tone of the workers? (Skelton, pages 37-40.)

7. Who are the bourgeoisie? (_Communist Manifesto._)

8. Who are the proletariat? (_Communist Manifesto._)

9. What, according to Marx and Engels, are the aims of socialism? (_Communist Manifesto._)

10. What does Marx mean by "class consciousness"? (_International Encyclopedia,_ vol. 21, page 235.)

11. What changes would occur in human character, in the opinion of the socialists, if socialism were to supplant capitalism? (Le Rossignol, page 10.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Ask each of a number of prominent citizens in your community to define socialism. Compare the definitions secured with that given in section 122. What do you conclude as to the indefiniteness of the term "socialism"?

2. Make a brief study of the social classes in your community. Does it appear that all of the community's citizens may be grouped into either a wealthy employing class or into an impoverished laboring class? Compare your conclusion with Marx's statement. (Section 128.)

3. Select for study a shop, factory or mill in your locality.

(a) Does it appear that the interests of the laborers and the employers are identical or in opposition?

(b) Carefully observe the actual conduct of the business. Does it appear to you that the laborers alone create the product? Give your reasons.

(c) Do the laborers under observation appear to be getting barely enough wages to enable them to keep alive? Check up your conclusion by visiting the homes of some of the laborers in question.

4. Write to the Department of Justice, Washington, D. C., for information regarding the activities of American socialists during the World War.

II

5. Robert Owen and his work. (Consult an encyclopedia.)

6. Utopian socialism. (Skelton, _Socialism, a Critical Analysis_, chapter iv; Carver, _Elementary Economics_, chapter xliii.)

7. Examples of Utopian communities in the United States. (Hinds, _American Communities_. See also an encyclopedia under "Communism.")

8. The nature of anarchism. (Carver, _Elementary Economics_, chapter xlvi.)

9. The life of Karl Marx. (Consult an encyclopedia.)

10. The law of capitalistic development. (Skelton, _Socialism, a Critical Analysis_, chapter vii.)

11. The economic interpretation of history. (Skelton, _Socialism, a Critical Analysis_, chapter v.)

CHAPTER XIV

MILITANT SOCIALISM: THE I. W. W.

134. ORIGIN OF THE I.W.W.--The letters I.W.W. are a convenient abbreviation which is used to designate a group of militant socialists calling themselves the Industrial Workers of the World. The I.W.W. resemble a French socialist group known as syndicalists, and on that account the I.W.W. are sometimes called the American syndicalists. As a matter of fact, the I.W.W. are a distinct group, and are in no way affiliated with the French syndicalists.

The I.W.W. movement can be traced to a miners' strike in Colorado in 1903. As the result of the labor unrest which this strike accentuated, a conference of radical labor leaders was called in Chicago in 1904, to discuss the question of forming a socialist organization which should advocate methods more drastic than those of political socialism. In the summer of 1905 a second convention was held in Chicago, and a constitution was drawn up and subscribed to. Section 1 of Article I of this constitution reads: "This Organization shall be known as the 'Industrial Workers of the World.'"

135. THE I.W.W. AND THE POLITICAL SOCIALISTS: SIMILARITIES.--Like the political socialists, the I. W. W. go back to Karl Marx for their basic teachings. William D. Haywood, one of the I. W. W. leaders, accepted Marx's theory of surplus value in these terms: "The theory of surplus value is the beginning of all socialist knowledge. It shows the capitalist in his true light, that of an idler and a parasite. It proves to the workers that capitalists should no longer be permitted to take any of their product." The I. W. W. also stress the class struggle. The preamble to their constitution declares that "the working class and the employing class have nothing in common," and asserts that "between these two classes a struggle must go on until all the workers of the world organize as a class, take possession of the earth, and the machinery of production, and abolish the wage system." In these important particulars there is agreement between the I. W. W. and the political socialists.

136. THE I.W.W. AND THE POLITICAL SOCIALISTS: DIFFERENCES.--The chief difference between the two groups is one of method. The political socialists prefer political action to violence; the I.W.W. prefer violence to political action. The I.W.W. believe that political methods are altogether too slow and unreliable, and accordingly they have so far refused to affiliate with any political party. The extreme limits to which the I.W.W. have gone in the matter of violence have caused many political socialists to disavow this militant group. The attempt has even been made to prove that the I.W.W. are not socialists at all, though as a matter of fact they are as truly so as is any other socialist group.

137. I.W.W. METHODS: THE STRIKE.--The I.W.W. use the strike, not as a means of securing better working conditions, but as a method of fomenting revolution. "Instead of the conservative motto, 'A fair day's wages for a fair day's work,'" declares the preamble to their constitution, "we must inscribe on our banner the revolutionary watchword, 'Abolition of the wage system.'" In their use of the strike, the I.W.W. accordingly oppose conciliation or arbitration of any kind, and whether or not they gain their point, they go back to work with the intention of striking again at the next opportune time. This policy has been formulated by the I.W.W. in the following words: "Strike; win as much as possible; go back to work; recuperate; strike again... whatever concessions from capitalism the workers secure, sooner or later they will strike again."

The principal strikes initiated in pursuance of this policy occurred at McKees Rocks, Pennsylvania, in 1909; Lawrence, Massachusetts, in 1912; Butte, Montana, in 1914; and Bisbee, Arizona, in 1916. Violence and lawlessness have been prominent features of each of these strikes.

138. I.W.W. METHODS: SABOTAGE.--The word sabotage is of French origin, and is used to describe any sort of deliberate action on the part of workmen which results in the destruction of the employer's property. Sabotage is a species of guerrilla warfare, designed to foment the class struggle. Louis Levine, an I. W. W. sympathizer, has said that "stirring up strife and accentuating the struggle as much as is in his power is the duty" of the I. W. W. Some of the commoner forms of sabotage are injuring delicate machinery, exposing the employer's trade secrets to rival employers, lying to customers about the quality of the goods, crippling locomotives so that they cannot be operated, slashing the harness of teamsters, shipping perishable goods to the wrong destination, burning forests and wheat fields, sawing lumber into unusual lengths, and allowing foodstuffs to spoil or deteriorate.

139. I.W.W. METHODS: DESTRUCTION OF LIFE.--In their effort to destroy the existing order of society, some of the I.W.W. are frankly willing to go as far as assassination. I.W.W. leaders have advised their followers, both orally and through their writings, to extend the term sabotage to cover the destruction of human life. During the World War the I.W.W. caused a loss of life by putting poison in canned goods, and by causing train wrecks. They have advocated the placing of ground glass in food served in hotels and restaurants. Since the organization was formed in 1905, several bomb outrages resulting in loss of life have been charged against the I.W.W., but in justice to this group, it must be observed that these crimes have never been proved to have been committed by authorized I. W. W. agents.

140. NEGATIVE CHARACTER OF THE I.W.W.--The I.W.W. resemble the political socialists in their failure to offer a definite system which could be substituted for the capitalistic system. Some of the I. W. W., it is true, have formulated a plan by means of which society is some day to be organized primarily on an industrial basis. According to this program, the workers of a given industry, say the railroad industry, will be organized into a single union, rather than, as at present, into a number of trade unions, such as an engineers' union, as distinct from the firemen's union, the brakemen's union, etc. The railroad union would in turn become a branch of a great transportation union, and the transportation union would in turn become a division of the "One Big Union," which is to include all workers in all countries of the world.

If this plan were approved by the entire I. W. W. organization, it would mean that the I. W. W. intended industry to be controlled by a super-organization of workingmen, all other persons to be excluded from any control whatsoever. As a matter of fact, this is the program of only a faction of the I. W. W. The idea of "One Big Union" is opposed by a second group, which insists that after the destruction of capitalism, industry must be handed over to the exclusive control of small units of laborers, unaffiliated with, and uncontrolled by, any larger organization. Beyond the formulation of these two opposing views, a constructive I. W. W. program has never been developed. Attention continues to be centered upon the destruction of the present system.

141. UNDEMOCRATIC CHARACTER OF THE I. W. W.--The I. W. W. oppose our present democracy. They oppose our Constitution and its fundamental guarantees of personal liberty, individual rights, and private property. They seek revolution, not in order to secure justice for the masses, but in order to place the laboring class in complete power in industry and government. They announce their intention of continuing the class struggle "until the working class is able to take possession and control of the machinery, premises, and materials of production right from the capitalists' hands, and to use that control to distribute the product of industry _entirely_ among the workers."

142. LIMITED APPEAL OF THE I. W. W. PROGRAM.--It is a testimonial to the common sense of American workmen that the I. W. W. have made little headway. Until the Lawrence strike in 1912, the movement centered in the Far West, and it is even now practically confined to those parts of the West where industry is less well organized, and where family life is less stable. Miners, lumbermen, and railway construction workers are prominent in the movement. In general, the I. W. W. theory appeals chiefly to the lower strata of unskilled labor, to young and homeless workers, to transients, and to unassimilated immigrants. The better trained and the more intelligent American workmen reject the program of the I. W. W. These latter workmen believe in bettering their condition through the gradual development and enforcement of industrial standards, made possible by lawful coöperation with the employer. The truth of this statement is borne out by the fact that whereas the I. W. W. number scarcely 30,000, the American Federation of Labor has more than 4,000,000 members. Numerically the I. W. W. are unimportant, and it is chiefly their violent and spectacular tactics which attract attention.

QUESTIONS ON THE TEXT

1. What do the letters I. W. W. stand for?

2. How did the I. W. W. organization come into existence?

3. In what ways are the I. W. W. like the political socialists?

4. In what way do the I. W. W. differ from the political socialists?

5. What use do the I. W. W. make of the strike?

6. Define sabotage, and give some examples.

7. Discuss "destruction of life" as an I. W. W. aim.

8. Upon what basis do the I. W. W. expect to reorganize society?

9. What is meant by "One Big Union"?

10. What is the attitude of the I. W. W. toward democracy?

11. To what classes of the population does the I. W. W. theory make its chief appeal?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xiv.

Or all of the following:

2. Bloomfield, _Modern Industrial Movements_, pages 40-50 and 78-86.

3. Hoxie, _Trade Unionism in the United States_, chapter vi.

4. _International Encyclopedia_, vol. 12, article on "Industrial Workers of the World."

5. Preamble to the Constitution of the Industrial Workers of the World.

QUESTIONS ON THE REQUIRED READINGS

1. Name some of the unions represented in the I.W.W. convention of 1905. (_International Encyclopedia,_ page 150.)

2. What do the I.W.W. insist must be the outcome of the class struggle? (Preamble to the constitution.)

3. What sort of an organization do the I. W. W. believe to be essential if the condition of the workers is to be improved? (Preamble to the constitution.)

4. What are the three reasons why the I.W.W. expect to take over industry? (Bloomfield, page 80.)

5. What may be said as to the present attitude of the I.W.W. toward political parties? (International Encyclopedia,_ page 151.)

6. What are some of the differences between the I.W.W. and the French syndicalists? (Bloomfield, pages 49-50.)

7. What is the origin of the word sabotage? (Bloomfield, page 80.)

8. To what extent is the I.W.W. movement supplied with able leaders? (Hoxie, pages 149-150.)

9. Discuss the membership of the I. W. W. (Hoxie, pages 139-140.)

10. Explain the attitude of the masses of American workmen toward the I.W.W. (Hoxie, pages 157-161.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Interview, or write to, the officials of a trade union in your community with reference to the attitude of the trade union toward the I.W.W. (Many trade unions are bitterly opposed to the I.W.W.; others are more tolerant of this form of militant socialism.)

2. Investigate the conditions surrounding any strike which has been initiated in your neighborhood by the I.W.W. (Consult the officials of

a local trade union. Consult, also, the files of local newspapers and the _Readers' Guide to Periodical Literature._)

3. A number of states have recently passed laws restricting the destructive tactics of the I.W.W. Ascertain whether or not your state has passed such laws. (Write to the state library at the state capitol.)

Also write to the proper authorities in several other states, asking for a copy of such laws, if any have been passed in those states.

II

4. Origin of the I.W.W. (Groat, _Organized Labor in America,_ chapter xxvii.)

5. The theory of "direct action." (Bloomfield, _Modern Industrial Movements_, pages 62-67.)

6. Conflict of aims and ideals within the I. W. W. organization. (Hoxie, _Trade Unionism in the United States_, chapter vi.)

7. Sabotage. (Groat, _Organized Labor in America_, chapter xxviii.)

8. Theory of the "general strike." (Brooks, _American Syndicalism: The I. W. W._, chapter x.)

9. Syndicalism. (_International Encyclopedia_, vol. 21, article on "Syndicalism.")

10. Relation of the I. W. W. theory to anarchism. (Brooks, _American Syndicalism: The I. W. W._, chapter xiv.)

CHAPTER XV

MILITANT SOCIALISM: THE BOLSHEVISTS

143. SIGNIFICANCE OF BOLSHEVISM.-The term "bolshevist" is used to designate a group of militant socialists that seized power in Russia in the fall of 1917. Strictly speaking, the bolshevists were purely a Russian group, nevertheless, they are of interest to students of American democracy. Until the outbreak of the World War socialism was primarily a theory, the claims of which could not definitely be settled for the reason that it had never been applied on a large scale. Bolshevism is significant because it is the only instance in the history of the world where nation-wide socialism has actually been put into operation. The peculiar conditions surrounding the Russian experiment may prevent any detailed conclusions as to the availability of bolshevist experience for other countries; on the other hand, the general results of that experiment must throw some light upon what we might expect if a socialist experiment were made in other countries. It is important, therefore, that we inquire into the nature of the Russian socialist state.

144. ORIGIN OF THE BOLSHEVISTS.--There is a popular impression that since the word bolshevist means "majority" in the Russian language, the bolshevists represented or constituted a majority of the Russian people. This is not true, as the history of the group shows. The origin of the bolshevists dates from a convention of the Russian Social-Democratic party in 1903, at which time a majority (_bolshinstvó_) took an extreme stand upon the policies then being discussed in convention. In the years that followed the bolshevists became known as the radical or extreme wing of the Russian Social-Democratic party, as opposed to the menshevists, or moderate wing.

It appears that as early as 1905 the bolshevists planned to secure control of the Russian government. The opportunity presented itself during the World War, which Russia had entered early in August, 1914. In March, 1917, a non-bolshevist group initiated a revolution, which overthrew the government of the Czar and established a provisional government under the leadership of Alexander Kerensky. This government immediately instituted a number of democratic reforms, including the extension of the suffrage to all men and women who were Russian citizens. These citizens elected delegates to a constituent assembly, but at this point the bolshevists, seeing that the voters of Russia were overwhelmingly against bolshevism, attacked the new government. The constituent assembly was forcibly dissolved, its defenders slaughtered, and on November 7, 1917, the bolshevists seized the reins of government. Thus bolshevism as a government came into being as the result of suppressing the lawfully expressed will of the Russian people.

145. THE BOLSHEVIST CONSTITUTION: LIBERAL ELEMENTS.--On July 10, 1918, the bolshevists adopted a constitution. This remarkable document was a strange compound of liberal and despotic elements. It made a number of important promises to the people of Russia, announcing, for example, that the new government would "put an end to every ill that oppresses humanity." In pursuit of this ideal, the church was separated from the state, and complete freedom of conscience was accorded all citizens of Russia. Citizens were to enjoy complete freedom of speech and of the press. For the purpose of "securing freedom of expression to the toiling masses," provision was made for the free circulation throughout the country of newspapers, books, and pamphlets. Full and general education to the poorest peasantry was also promised. Capital punishment was declared abolished, and a solemn protest against war and violence of every kind was adopted.

146. THE BOLSHEVIST CONSTITUTION: RESTRICTED SUFFRAGE.--These liberal provisions were offset, however, by a number of important restrictions upon the voting rights of the people. Article IV of the bolshevist constitution declared that the right to vote should not be extended to the following groups: all persons employing hired laborers for profit, including farmers who have even a single part-time helper; all persons receiving incomes from interest, rent, or profits; all persons engaged in private trade, even to the smallest shop-keeper; all ministers of religion of any kind; all persons engaged in work which was not specifically defined by the proper authorities as "productive and useful to society"; members of the old royal family; and individuals formerly employed in the imperial police service. The constitution further provided that representation in the various deliberative assemblies (called soviets, or councils) should be arranged so that one urban bolshevist would be equal, in voting strength, to five non-bolshevist peasants. Lastly, the constitution significantly neglected

to provide any machinery whereby the voters, either as individuals or in groups, could make nominations for any governmental office. The power of nomination was assumed by various bolshevist officials.

147. THE BOLSHEVIST CONSTITUTION: PROVISION FOR A DESPOTISM.--The bolshevist constitution frankly provided for a despotism. "For the purpose of securing the working class in the possession of complete power," reads the concluding section of chapter two of the constitution, "and in order to eliminate all possibility of restoring the power of the exploiters, (the capitalist or employing class), it is decreed that all workers be armed, and that a socialist Red Army be organized and the propertied class disarmed." These steps, the constitution goes on to state, were to be taken for the express purpose of introducing nation-wide socialism into Russia.

148. "DICTATORSHIP OF THE PROLETARIAT."--Shortly after the publication of the constitution, Lenin and Trotzky, the two bolshevist leaders, established what was called the "dictatorship of the proletariat." The word proletariat refers vaguely to the working classes, but the bolshevists interpreted the term to cover only that portion of the workers which was pledged to the support of socialist doctrine. Lenin admitted that a small number of bolshevized workingmen, the proletariat, was maintaining, by force of arms, a despotic control over the masses of the people. "Just as 150,000 lordly landowners under Czarism dominated the 130,000,000 of Russian peasants," he once declared, "so 200,000 members of the bolshevist party are imposing their will on the masses." According to these figures, the controlling element in Russia included less than one sixth of one per cent of the people.

From the first, the great majority of the peasants stolidly resisted the socialization of the country, but this did not discourage the bolshevist leaders. "We have never spoken of liberty," said Lenin early in 1921. "We are exercising the dictatorship of the proletariat in the name of the minority because the peasant class in Russia is not yet with us. We shall continue to exercise it until they submit. I estimate the dictatorship will last about forty years."

149. SUPPRESSION OF DEMOCRACY.--The democratic tendencies evidenced under the Kerensky regime, and apparently encouraged by some of the provisions of the bolshevist constitution, were quickly checked by the dictatorship. It became the policy of the government to deprive "all individuals and groups of rights which could be utilized by them to the detriment of the socialist revolution." The semblance of a representative system was retained, but voting power was so distributed as to allow an oligarchic group to control the government's policies. This group had the power to disallow elections which went against it, as well as the power to force the dismissal from local Soviets of anti-bolshevist members. The right to vote could be arbitrarily withdrawn by order of the central authorities. Free speech and the right to enjoy a free press were suppressed. Lenin admitted that bolshevism "does not represent the toiling masses," and declared that "the word democracy cannot be scientifically applied to the bolshevist party." Both Lenin and Trotzky declared that they had no fixed policy except to do whatever at the moment seemed expedient, regardless of previous statements or promises.

150. ABOLITION OF THE CAPITALIST SYSTEM.--Socialism, so long a theory, became a practical concern at the moment that the bolshevists secured

control of the government. Private property in land was abolished, the arable land of Russia being apportioned among agriculturists without compensation to the former owners. All mines, forests, and waterways of national importance were taken over by the central government, while the smaller woods, rivers, and lakes became the property of the local Soviets. Banking establishments were seized and looted by bolshevist forces. Factories, railroads, and other means of production and transport were taken over. Inheritance was abolished. Private initiative in business was forbidden. Members of the capitalist or employing classes were imprisoned, murdered, or driven from the country. In a word, the capitalistic system was destroyed, and the economic and political machinery of the country came under the full control of a small socialist group, maintained in power by armed force.

151. PARALYSIS OF INDUSTRY UNDER SOCIALISM.--The substitution of socialism for capitalism in Russia was followed by disaster. The workers were unable to carry on the industries which had been handed over to them. Discouraged by repeated errors in administration, and demoralized by their sudden rise to power, they neglected their work and pillaged the factories and shops in which they had formerly been employed. The elimination of the managing employers resulted in a decrease in output, and to aggravate the situation the laborers continued to insist upon a shorter and shorter working day. In desperation the government attempted to keep the people at their tasks by force. The workers were exploited to a degree previously unknown, even in Russia. They worked longer hours and for less pay than formerly. In many places they were attached to their tasks like medieval serfs, and even harnessed to carts like beasts of burden. The trade unions were abolished, and the workers were forbidden to strike, on pain of imprisonment or death. Yet despite these measures the output of factories, mills, and mines steadily decreased. Industry stagnated, and business fell away. The millions of Russia were starving in a land of plenty.

152. RETURN TO CAPITALISTIC METHODS.--To save the country from economic ruin, Lenin turned to capitalism. Free initiative and open competition in trade were again allowed. The socialization of railroads, mills, and natural resources was halted. The arable land, which under socialism had not grown enough food to support even the peasants living upon it, was again cultivated under the wage system. The capitalists and managing employers who were alive and still in Russia, were gathered together and placed in charge of industry. The laborers, who had been promised an eight- or six-hour day and complete control of industry, were now forced by the bolshevist government to work long hours under their former employers for practically no pay. By 1919 the essential features of the capitalistic system had been accepted by Lenin and Trotzky, the bolshevists continuing in power as a despotic group which maintained authority over the laborers and the employers by armed force. The theory that all except the laborers are parasites had been exploded.

153. WAS SOCIALISM GIVEN A FAIR TRAIL IN RUSSIA?--To point out that an experiment has failed is one thing; to prove that it has been attempted under fair conditions is quite another. We cannot, therefore, condemn the bolshevist experiment without some regard for the conditions under which it was conducted.

Undoubtedly, the bolshevists had to contend against several important

difficulties. The majority of the Russian people are illiterate peasants, who had had, at the time of the overthrow of the Czar in 1917, little or no training in self-government. In 1917, Russia was, moreover, in a state of political demoralization, the result of three years of war, concluded by a military debacle and a disorderly peace. The suddenness with which socialism was introduced was also a factor which handicapped the bolshevists.

On the other hand, many favorable conditions were present. With respect to natural resources, Russia is one of the richest countries in the world. She has practically everything necessary to a healthy and self-sufficing industrial life. Over this wealth the bolehevists had full control. Lenin, the bolshevist chief, is conceded to have been a remarkable executive, so that the socialist experiment was conducted by a man not only well versed in Marxian doctrine, but capable of exercising an intelligent and authoritative control of the government. The bolshevist territory was blockaded by Great Britain, France, and the United States, but trade connections between Russia and the two last-named countries had been unimportant. Trade connections with Germany and Sweden on the west, and China on the east, were not broken off.

It is clear that the socialist experiment in Russia was attended by important advantages and disadvantages. Whether or not bolshevism had an absolutely fair trial is as yet impossible to say. On the other hand, the disastrous failure of the experiment would seem to indicate that it could not have met with any great degree of success under fairly favorable conditions. The admissions of the bolshevist leaders themselves, together with the conclusions of the most impartial investigators of the experiment, justify the conclusion that socialism in Russia failed because it was based upon false principles. The bolshevists have been accused of having instituted a reign of terror, bringing in its train lawlessness, murder, desecration of the church, and the most brutal savagery. Into these charges we cannot go; it is enough that the most reliable evidence goes to show that bolshevism, as a nation-wide application of socialist doctrine, was a failure.

154. FAILURE OF BOLSHEVIST PROPAGANDA BEYOND RUSSIA.--Bolshevism, in common with other varieties of socialism, sought to break down national barriers and to establish a dictatorship of the proletariat in all of the countries of the world. Some of the milder socialists in western Europe and America disavowed the acts of the Russian group, but the majority of socialists beyond Russia appear to have at least secretly sympathized with the bolshevists. Encouraged by this attitude, Lenin and Trotzky frankly admitted their intention of fomenting world-wide revolution. The bolshevist government appropriated large sums for propaganda in countries beyond Russia, and socialist sympathizers everywhere advocated an attempt to overthrow "world capitalism." In the period of unrest immediately following the World War there was some response to bolshevist propaganda in a number of countries, but sounder opinion prevailed, and in 1920 Lenin admitted that the workingmen of Europe and America had definitely rejected his program. The one case of nation-wide socialism had proved too great a failure not to impress the laboring classes in the more advanced countries of the world as a visionary and unworkable scheme.

QUESTIONS ON THE TEXT

1. Why is bolshevism of interest to students of American democracy?

2. Explain the origin of the bolshevists.

3. How did the bolshevists come into power?

4. To what extent was the bolshevist constitution liberal?

5. To what extent did it restrict the suffrage?

6. What did the bolshevist constitution say concerning a "red" army?

7. Explain the phrase, "dictatorship of the proletariat."

8. How did the bolshevists suppress democracy in Russia?

9. Outline the steps by which the bolshevists destroyed capitalism.

10. What were the effects of this destruction?

11. Why did Lenin return to capitalism?

12. Was bolshevism given a fair trial?

13. What was the fate of bolshevist propaganda beyond Russia?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xv.

Or all of the following:

2. Bloomfield, _Modern Industrial Movements_, pages 295-302.

3. Bolshevist constitution, reprinted in the above reference, pages 243-258; copies may also be secured by writing to _The Nation_, New York City.

4. Brasol, _Socialism versus Civilisation_, chapter iii.

QUESTIONS ON THE REQUIRED READINGS

1. What occurred in Russia on October 28, 1917? (Brasol, page 113.)

2. What was the substance of the bolshevist announcement of the overthrow of the Kerensky government? (Brasol, page 114.)

3. What was the attitude of the menshevists toward the bolshevists after the latter had seized control in Russia? (Brasol, pages 120-122.)

4. What opinion did the bolshevists express with regard to world civilization? (Bolshevist constitution, chapter iii.)

5. In what body did the constitution vest supreme control over the bolshevist government? (Bolshevist constitution, chapter v.)

6. What was the food situation in bolshevist Russia? (Brasol, page 129.)

7. Discuss the output of coal and iron under bolshevist rule. (Brasol pages 132-133.)

8. Describe agricultural conditions under the bolshevists. (Brasol, pages 133-135)

9. Describe the condition of transportation in bolshevist Russia. (Brasol, pages 135-141.)

10. What were the results of the bolshevist attempt to fix prices by governmental decree? (Brasol, pages 154-155.)

11. What was the attitude of bolshevism toward the peasants? (Bloomfield, page 297.)

12. What was the relation between bolshevist theory and bolshevist practice? (Bloomfield, pages 299-300.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make as thorough a study as the time allows of material appearing in newspapers and magazines, between November, 1917, and the present time, on the subject of bolshevism. (Consult newspaper files, and also the _Readers' Index to Periodical Literature_.)

(a) Classify the material according as it consists of direct quotations from bolshevist leaders, or of indirect quotations.

(b) Classify the material according as it is favorable to bolshevism, unfavorable, or neutral.

(c) Classify the material according as it consists of reports of persons who had themselves actually investigated the situation in Russia, or reports based upon hearsay evidence.

(d) What conclusions do you draw from this study?

II

2. The essential elements of the bolshevist constitution.

3. Bolshevist propaganda in the United States. (_Hearings before a sub-committee of the Committee on the Judiciary, U. S. Senate_. Government Printing Office, Washington, D. C., 1919.)

4. Attitude of the United States government toward bolshevism. (_Memorandum on certain aspects of the Bolshevist Movement in Russia_, Government Printing Office, Washington, D. C., 1919.)

5. Bolshevism and the Russian trade unions. (_Current History Magazine_, published by the New York _Times_, September, 1920.)

6. The character of Lenin. (Bloomfield, _Modern Industrial Movements_, page's 203-271.)

7. Return of the bolshevists to capitalism. (Bloomfield, _Modern Industrial Movements_, pages 291-295.)

8. Socialist attempts to explain or justify the failure of bolshevism. (Brasol, _Socialism versus Civilisation_, chapter iv.)

CHAPTER XVI

THE CASE AGAINST SOCIALISM

155. ADMINISTRATIVE DIFFICULTIES CONFRONTING SOCIALISM.--Under socialism the work of government would be greatly increased. Thousands of intricate administrative rules would have to be drawn up for the control and direction of activities now attended to by individuals animated by personal interest.

Now, it is seriously to be questioned whether the most highly centralized government could effectively administer the innumerable activities of our complex industrial life. Upon what basis would land be distributed? How would individuals be apportioned among the various employments? Upon what basis would the wages of millions of workmen be determined? Could so mechanical an agency as government foresee future business conditions expertly enough to direct the productive forces of the nation effectively? If prices are no longer to be fixed by competition, how, and by means of what agency, are they to be determined?

These are only a few of the vital questions which would arise in connection with the administration of a socialist state. Various suggestions have been made with regard to some of these difficulties, but there is among socialists no general agreement as to the answer of any one of these questions. They continue to constitute, in the eyes of practical men, a grave obstacle to socialism.

156. DANGERS OF A SOCIALIST BUREAUCRACY.--Governmental power would have to be very highly centralized if a socialist state were effectively to administer the nation's economic activities as a unit. But this very concentration of power might easily result in the development of a bureaucracy. Waste and the possibility of corruption have unfortunately characterized even those governments over which the people exercise considerable control; it seems probable that the greater centralization of authority demanded by socialism would increase rather than decrease these dangers.

It is to be noted here that the socialists, who might be supposed to consider as paramount the interests of society or of the public, are the very people who are least inclined to do anything of the kind. [Footnote: This concept was suggested to me by Professor Thomas Nixon Carver of Harvard University.] Socialists look upon the state only as an agency for benefiting particular groups of individuals. The emphasis of political socialism upon class struggle, the frank admissions of the I.W.W. that they seek to suppress all but the

laboring class, and the establishment by the bolshevists of a dictatorship of the proletariat, all these facts indicate that socialists seek the welfare of particular groups rather than the welfare of the general public.

But class legislation is repugnant to the principles of American democracy. We believe in government by the masses and for the masses; furthermore, we are committed to the ideal of as much individual freedom and as little governmental compulsion as is compatible with the good of both individual and community. The concept of a socialist bureaucracy, administered in the interests of particular groups, runs counter to our fundamental beliefs and ideals.

157. SOCIALISM WOULD DESTROY PERSONAL INITIATIVE.--One of the strongest arguments against socialism is that it would destroy personal initiative. Socialism runs counter to human nature by under-valuing the principle of self-interest. Economists are generally agreed that the abolition of the institution of private property would cause the ambition of the individual to slacken. In spite of its defects, it is the competitive system, with its promise of reward to the energetic and the capable, which is largely responsible for the miraculous prosperity of modern times. Men ordinarily will not undergo systematic training, perfect inventions, strive to introduce greater and greater economies into their business, or undertake the risk of initiating new enterprises, unless they are assured that they will be able to enjoy the fruits of their labor.

And not only would socialism discourage ambition by abolishing private enterprise, but it might encourage inefficiency and shiftlessness. Every man would be guaranteed a job, every individual would be protected against want. It is even likely that a socialist state would undertake to rear and provide for the offspring of its citizens. Human experience indicates that this degree of paternalism would encourage laziness and increase irresponsibility.

It is sometimes said that under socialism men would work as eagerly for social esteem as they now work for financial gain. This would be a highly desirable condition, but unfortunately there is nothing in human experience to justify the hope that such a state of affairs will speedily be realized. The spread of altruism in the modern world is heartening, but no sensible person will shut his eyes to the fact that, for the immediate future at least, self-interest promises to be much more widespread than altruism. The love of gain may not be the highest motive in life, but it is better than none, and for a long time to come it will probably be the one which appeals most strongly to the average man. Socialists and non-socialists alike deplore the domination which self-interest exercises over human affairs. But whereas the non-socialist wisely tries to adapt a program of industrial reform to this hard fact, many socialists appear to believe that because the principle of self-interest often works out badly, they ought to act as though that principle did not exist.

158. SOCIALIST THEORY OF DISTRIBUTION UNSOUND.--Both socialists and non-socialists admit that poverty is an undesirable condition. But over the method of improving the condition of the poor the socialist and the non-socialist disagree. The defender of capitalism begins by pointing out that, under competitive conditions, the unskilled laborer is poor primarily because his labor is not highly productive. The socialist ignores this fact, and insists that the laborer shall

receive a share of wealth which shall be adequate to his needs. As we shall have occasion to point out in the next chapter, this attitude of the socialist indicates a fundamental defect in his theory. Socialism pays more attention to who shall eat and how much shall be eaten, than it does to the more fundamental question of how food is to be produced, and how much can actually be produced. Laws may oblige an employer to give his workmen twice as much as they add to the value of his product, but though this will benefit the workmen while it lasts, such a practice would, if widely adopted, lead to industrial bankruptcy. [Footnote: It is assumed, in this section, that the productivity of the laborer is determined from the point of view of the employer. This is in accordance with the productivity theory which was discussed in Chapter IX.]

159. SOCIALIST THEORY OF VALUE UNSOUND.--Many of the defects of the socialist doctrine are traceable to the fact that it rests upon false assumptions. One of these false assumptions is that commodities have value in proportion as labor has been expended upon them. This labor theory of value has been discarded by every authoritative economist of modern times. As has been pointed out in Chapter VIII, value depends upon scarcity and utility. The soundness of the scarcity-utility theory, as well as the unsoundness of the labor theory, may be brought out with reference to three classes of goods.

First, there are commodities which have value in spite of the fact that no labor has been expended upon them. Virgin land, the gift of Nature, is the most important example. Articles of this class have value because they satisfy men's wants, _i.e._ have utility, and because they are scarce. Labor has nothing to do with their original value.

Second, there are commodities which have no value, even though much labor has been expended upon them. A building erected in a desert or in a wilderness is an example. Unwanted books, or paintings by unknown artists are other examples. Commodities in this class may represent a great expenditure of labor, and still have no value, first because they do not satisfy anyone's wants, and second because they are not scarce, _i.e._ there are not fewer of them than are wanted.

Third, articles may have a value which is out of proportion to the amount of labor expended upon them. The value of diamonds, old coins, and rare paintings is disproportionate to the actual amount of labor involved in their production. A sudden change in fashion may cause the value of clothing and other commodities to rise or fall, with little or no regard for the amount of labor expended upon them. In each case it is not labor that determines value, but scarcity and utility.

160. LABOR NOT THE ONLY FACTOR IN PRODUCTION.--Labor is an important factor in production, but land, capital, coördination, and government are also of vital importance to any modern industrial community. The great error of the socialist is that he over-estimates the importance of the laborer, and minimizes or altogether denies the importance of the individuals with whom the laborer coöperates in production. This error is explainable: the laborer does most of the visible and physical work of production, while the part played by the landowner, the capitalist, and the entrepreneur is less physical and often is apparently less direct. The complexity of the industrial mechanism very often prevents the laborer from appreciating the true relation existing between his own physical labor, and the apparently indirect

and often non-physical efforts of those who coöperate with him. It is in this connection that producers' coöperation and bolshevism have performed a great service. They have demonstrated, by the out-and-out elimination of the managing employer, that the laborer alone cannot carry on modern industry. Such actual demonstrations of the value of factors of production other than labor are of far more service in correcting the viewpoint of the socialist than is any amount of theoretical argument.

161. THEORY OF CLASS STRUGGLE UNWARRANTED.--The theory of class struggle is based upon the claim that the laborer produces all wealth. But we have seen this claim to be unfounded; therefore the theory of class struggle is built upon an error. Ultimately, the theory of class struggle tends to injure the very class which seeks to gain by advocating it, for true and permanent prosperity for the laboring class (as well as for all other classes) can result only when all of the factors of production work together harmoniously. Fundamentally the quarrel between capital and labor [Footnote: The phrase "capital and labor" is loose and inaccurate, but is in common use. Used in this sense the word "capital" refers to the capitalist and employing classes, while the word "labor" refers to the workers. See Section 181, Chapter XVIII, for a fuller discussion.] is as suicidal as though the arms of a human body refused to coöperate with the other members. There are, indeed, many antagonisms between capital and labor, but socialism seeks to foment, rather than to eliminate them. Socialism preaches social solidarity and prosperity for all, but by inciting the class struggle it makes for class hatred and a disharmony between capital and labor which decreases prosperity and threatens economic ruin.

162. HISTORY HAS DISPROVED SOCIALISM.--Karl Marx bases his theory of a future socialist state upon a number of predictions, none of which has come true. According to Marx, socialism was inevitable. He declared that the centralization of wealth in the hands of the capitalists, on the one hand, and the increasing misery of the workers on the other, would accentuate the class struggle and bring about the downfall of capitalism. As a matter of fact, laws are more and more restricting the undue concentration of wealth in the hands of a few. The middle classes, far from disappearing, as Marx predicted, are increasing in numbers and in wealth. The working classes are not becoming poorer and more miserable, but are securing a larger and larger share of the joint income of industry.

The socialist revolution came in 1917, not in the most enlightened country in the world, as Marx had predicted, but in Russia, one of the most backward of civilized countries. This revolution did not demonstrate the superiority of socialism over capitalism, but revealed the fundamental weaknesses of socialism, and led to a more widespread recognition of the merits of the capitalistic system.

In the progressive countries of western Europe and America, the likelihood of a socialist revolution has been greatly diminished by two developments. These developments, both of which were unforeseen by Marx, are as follows: first, the improving condition of the workers has rendered socialist doctrine less appealing; second, the increasing effectiveness of legislation designed to remedy the defects of capitalism has caused attention to be directed to legislative reform rather than to socialism. With many who were formerly socialists, the supreme question has become, not how to destroy the present order, but

how to aid in perfecting it by means of appropriate legislation.

163. SOCIALISM CLAIMS TOO MUCH.--Socialism often appeals strongly to people who are unable to distinguish between plans which are realizable and promises which cannot be fulfilled. For example, socialism promises greatly to increase the productive power of the nation, to shorten the hours of labor, and to insure a just distribution of wealth. These reforms, it is claimed, would be accompanied by the elimination of unemployment, poverty, vice, and attendant evils. It is maintained that socialism would encourage a higher moral tone and a healthier and more vigorous social life than now exist.

Without doubt these are desirable aims, but we must face the hard fact that socialism is not likely to attain them.. Some of the ills which socialism claims to be able to cure are neither attributable to capitalism, nor open to remedy by socialism. For example, crises and unemployment are often due to the alternations of good and bad harvests, to the varying degrees of severity in successive winters, to new mechanical inventions, and to changes in fashion. These forces are beyond the effective control of any state. This being so, it is unfair for socialists to attribute their evil effects to capitalism. It is likewise unwarranted that socialism should claim to be able effectively to control these forces.

Other industrial evils are due to the infirmities of human nature, and to the fact that we are a highly civilized people living more and more under urban conditions. Crime, vice, and disease are grave social problems which demand solution, but it is unfair for socialism to charge these evils against capitalism. Such defects are due partly to the fact that we are human, and partly to the fact that much of modern life is highly artificial. Unless socialism contemplates a return to small, primitive communities, there is nothing to indicate that it would be able materially to reduce crime, vice, nervous strain, or ill-health. Indeed, there is no evidence to show that socialism could make as effective headway against these evils as we are making under capitalism.

164. DEFECTS OF SOCIALISM OUTWEIGH ITS MERITS.--It is only after the advantages of a system or an institution have been carefully weighed against its disadvantages that its value appears. A socialist system would have some obvious merits. It might eliminate unemployment, since everyone would be an employee of the state, and, as such, would be guaranteed against discharge. Charitable aid would probably be extended to many people now left to their own resources.

But certainly socialism could not cure ills which are due either to natural causes, or to the infirmities of human nature. The abolition of private initiative and of private property would strike at the root of progress. Socialism would also probably give rise to a series of new problems, such as the evils arising out of a bureaucratic form of government. As its program now stands, it is probably fair to say that the defects of socialism greatly outweigh its merits.

165. SOCIALISM UNDER-RATES CAPITALISM.--The ardor of the socialist often causes him to underestimate the merits of capitalism, and to exaggerate its defects. The striking achievements of capitalism, so in contrast with the negative character of socialism, are not generally appreciated by the socialist. On the other hand, the socialist places

an undue emphasis upon the defects of the present system. The radical agitator too often overlooks the millions of happy, prosperous homes in this and other countries; he too often sees capitalism in terms of poverty, crises, unemployment, vice, disease, and extravagance.

Our age is not to be despaired of. An age of progress is always an age of adaptation and of adjustment, and it is precisely because American democracy is both a progressive ideal and a living, growing institution that it is confronted with problems. The socialist indictment is not a prelude to chaos, for through the process of adjustment we are making steady progress in solving our problems. Capitalism has served us well, and though it has defects, these are clearly outweighed by its merits. So long as we know of no other system which would work better, we are justified in retaining capitalism.

166. NECESSITY OF A DEFINITE PROGRAM OF INDUSTRIAL REFORM.--Socialism appeals to certain types of people because it offers a confident program, even though it is a mistaken and probably a dangerous program. And it is the almost universal failure of non-socialists to advance a substitute program that is responsible for a large share of the resentment which industrial evils have aroused among non-socialists. _If not socialism, what?_ is the cry. We are challenged to move, to do something, to present a reform program which will justify the rejection of socialism.

Lest our survey of industrial reform seem negative and devoid of constructive elements, therefore, the next chapter will be devoted to what may be called a democratic program of industrial reform. The basic idea of this program is that poverty is as unnecessary as malaria or yellow fever, and that we can abolish poverty without sacrificing private property, personal initiative, or any of the other institutions which we hold dear.

QUESTIONS ON THE TEXT

1. What are some of the administrative difficulties which would confront a socialist state?

2. Why would socialism tend to give rise to a bureaucratic government?

3. In what way does socialism run counter to human nature?

4. In what way does the socialist differ from the non-socialist in his attitude toward the principle of self-interest?

5. In what way is the socialist theory of distribution unsound?

6. Demonstrate the unsoundness of the labor theory of value, with reference to three classes of goods.

7. How may we explain the socialist's tendency to overestimate the importance of labor, and to underestimate the value of other factors of production?

8. Explain clearly the statement that "history has disproved socialism."

9. In what way does socialism claim too much?

10. Name some industrial evils which socialism probably could not cure.

11. What is meant by the statement that "socialism under-rates capitalism"?

12. Why is it necessary for non-socialists to advance a program of industrial reform?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xvi.

Or all of the following:

2. Brasol, _Socialism versus Civilization_, chapter ii.

3. Bullock, _Selected Readings in Economics_, pages 681-705.

4. Ely, _Outlines of Economics_, chapter xxxi.

5. Le Rossignol, _Orthodox Socialism_, chapters viii and ix.

6. Skelton, _Socialism, a Critical Analysis_, chapter iii.

QUESTIONS ON THE REQUIRED READINGS

1. What is the "American conception of equality"? (Brasol, pages 75-76.)

2. Why is the wage system a necessary feature of modern industrial life? (Brasol, page 93.)

3. What is the importance of the spirit of enterprise in increasing national wealth? (Brasol, page 99.)

4. What effect has the development of entrepreneur ability had upon the condition of the laboring classes? (Le Rossignol, pages 112-113.)

5. Could collective production be carried on in a democratic country? (Bullock, pages 682-683.)

6. Could socialism increase the productivity of the nation? (Bullock, pages 685-688.)

7. What are some of the difficulties which a socialist state would encounter in distributing wealth? (Bullock, pages 688-693.)

8. What difficulties would confront a socialist state in fixing wages? (Bullock, pages 696-705.)

9. What has been the effect of the Industrial Revolution upon the condition of the laboring classes? (Le Rossignol, pages 107-108.)

10. Explain why Marx's prediction of an increasing concentration of

wealth in the hands of a few has not come true. (Le Rossignol, pages 128-130.)

11. To what extent is socialism too pessimistic about the present order? (Le Rossignol, page 138.)

12. To what extent does socialism overestimate industrial evils? (Skelton, page 53.)

13. What service has been rendered by socialism? (Ely, page 638.)

14. What, according to Skelton, is the fundamental error of socialism? (Skelton, pages 60-61.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make a list of a number of familiar commodities, and divide them into three classes for the purpose of testing the error of the labor theory of value, and the truth of the scarcity-utility theory. (Consult Section 159.)

2. Make a study of unemployment in your locality, with particular reference to unemployment due to

(a) climatic changes,

(b) changes in fashion,

(c) accidents, such as fire, flood or earthquake.

3. Interview an elderly friend or relative, with the purpose of securing a definite idea of the condition of the working classes a half century ago. Contrast with the condition of the laborers to-day.

4. Make a list of the notable inventions of the nineteenth century. To what extent has each increased the productivity and well-being of the various occupational groups in your community?

II

5. History of socialism. (Consult an encyclopedia.)

6. Varieties of socialism. (Ely, _Outlines of Economics_, chapter xxx.)

7. The Iron Law of wages. (Le Rossignol, _Orthodox Socialism_, chapter iii.)

8. The socialist's attitude toward industrial crises. (Le Rossignol, _Orthodox Socialism_, chapter vi.)

9. Objections to the socialist's attitude toward production. (Ely, _Strength and Weakness of Socialism_, part iii, chapter vi.)

10. Objections to socialism as a scheme of distribution. (Ely,

Strength, and Weakness of Socialism, part iii, chapter viii.)

11. Socialism and American ideals. (Myers, _Socialism and American Ideals_.)

12. Social justice without socialism. (Clark, _Social Justice without Socialism_.)

CHAPTER XVII

A DEMOCRATIC PROGRAM OF INDUSTRIAL REFORM

[Footnote: The title of this chapter, as well as the material in Sections 170-175, has been adapted, by permission, from the writings and lectures of Thomas Nixon Carver, Professor of Economics in Harvard University.]

167. THERE IS NO SIMPLE REMEDY FOR THE DEFECTS OF CAPITALISM.--The economic system of a modern civilized nation is a vast and complicated affair, and its defects are both numerous and deep-lying. No one really familiar with the problem would propose so simple a remedy as socialism for so complex a disease as industrial maladjustment. History affords many examples of schemes that were designed to eliminate poverty from the world suddenly and completely, but no such scheme has succeeded.

Let it be understood at the outset of this chapter, therefore, that really to eliminate the basic defects of our industrial system we must resort to a series of comprehensive reforms rather than to a single scheme or theory. These reforms must be so wisely planned and so carefully executed as to attack the evils of capitalism from a number of angles simultaneously. The attack must be partly by legislative, and partly by non-legislative methods.

The series of reforms referred to above must have three aims: first, to give every individual exactly what he earns; second, to make it possible for every individual to earn enough to support himself and his family at least decently; and third, to teach every individual to use wisely and economically the income which he receives.

A program embodying these three aims has the disadvantage of seeming commonplace and slow of fulfillment to those who prefer novel and sensational schemes, but it has the advantage of being both workable and safe.

168. THE NATURE OF JUSTICE.--Among the advocates of socialism the word "justice" is much used, but apparently little understood. Justice in industry implies that every individual shall receive precisely what he earns, no more, no less. If a monopolist secures unearned profits, there is injustice. If a laborer adds to the value of a product to the extent of five dollars, there is injustice if he receives less than five dollars in wages. Similarly, there is injustice if the laborer earns only four dollars, but receives five dollars. Wherever there is an unfair distribution of wealth, there is a double injustice: some individual gets a share of wealth which he did not earn and to which,

therefore, he is not entitled; while the individual who did earn that wealth is deprived of it.

169. THE IMPORTANCE OF THIS.--All right-thinking reformers will agree with the socialist that much or all of the unearned wealth of the moneyed classes ought to be taken for the benefit of the community. But he who accepts the democratic program of industrial reform will not sanction the socialist's proposal to eliminate poverty primarily by decreeing higher wages.

In the first place, this proposal of the socialist is unjust. A man who earns three dollars a day may not be able to live on that amount, and it may be desirable for some agency to give him more than three dollars a day. But that would be charity, not justice. It would be, as we have just seen, a double injustice.

In the second place, such a practice would lead inevitably to national bankruptcy. Under the competitive system, wages tend to be determined by productivity. To attempt to eradicate poverty primarily by the raising of wages is futile, for employers cannot long pay out in wages more than the laborer adds to the product. Some employers might do so for a long time, and all employers might do so for a short time, but if the practice were nation-wide and long-continued, it would result in economic ruin. To put a premium upon propagation by guaranteeing every man a job, and to pay him, not according to productivity, but according to need, would be equivalent to building up a gigantic charitable institution. Charity is a necessary and laudable function, but the proper care of the dependent classes is possible only when the majority of the people are not only self-supporting, but actually produce a surplus out of which the unfortunate can be cared for. If applicants for charity too largely outnumber those producing a surplus, national bankruptcy results.

In the third place, an increase in wages might not benefit even those receiving higher wages unless they were able and willing to spend their income wisely and economically.

170. THE REDISTRIBUTION OF UNEARNED WEALTH.--The first step in our program is to apply the principle of justice to the problem of unearned wealth. The student should be careful at this point to distinguish between wealth which has been earned, however great, and wealth which has been acquired by unjust methods. American democracy will tolerate no interference with wealth which has been earned; on the other hand, it demands that unearned riches be redistributed in the form of services performed by the government for the people as a whole.

There are three chief methods of redistributing unearned wealth. The first is by means of increased taxes on land. As was pointed out in the chapter on single tax, that income from land which is due, not to the efforts of the owner, but either to natural fertility or to the growth of the community, may be considered as unearned. While the single tax is too drastic a reform, it is unquestioned that we need heavier taxes upon the unearned increment arising from land.

A second method of redistributing unearned wealth is through the application of inheritance taxes. Reserving the whole problem of taxation for later discussion, [Footnote: See Chapter XXXII.] it may be said here that in many cases large sums are willed to individuals

who have done little or nothing to deserve them. In so far as this is true, and in so far as such a tax does not discourage the activities of fortune builders, the inheritance tax is a desirable means of redistributing unearned wealth.

The last method of redistributing unearned wealth is by a tax on those elements in profits which are due to the abuse of monopoly conditions. [Footnote: Monopoly will be treated more fully in Chapters XXVII and XXVIII.] Complete monopoly rarely exists, but in many businesses there is an element of monopoly which allows the capitalist or entrepreneur to secure a measure of unearned wealth. In the interest of justice, much or all of this ought to be taken for the use of the community.

171. SOMETHING MORE THAN JUSTICE IS NECESSARY.--It is an error to suppose that justice would necessarily eliminate either low wages or poverty. As we have seen, justice would require the redistribution of a large amount of unearned wealth. But much more important is the question of large numbers of laborers whose wages are undesirably low. If the rule of justice were applied to this latter class, that is, if they were given just what they earned, many would continue to be poor. Indeed, if justice were strictly administered, it is even possible that among a few groups poverty would increase, since some individuals are incapable of really earning the wages they now receive.

Something more than justice, therefore, is necessary. We must not only see that a man gets as much as he produces, no more, no less, but we must make it possible for every individual actually to produce or earn enough to support himself decently or comfortably. This, in essence, is the distinction between the socialist and the liberalist, _i.e._ he who accepts the democratic program of industrial reform: the socialist would practice injustice and invite economic ruin in a vain effort to eliminate poverty; the liberalist seeks the abolition of poverty without violating either justice or economic law.

172. WHY WAGES ARE LOW.--A little thought will show that directly or indirectly poverty is sometimes the result of low wages. It follows, thus, that the source of some poverty would be dried up if an increase in wages could be secured in an economical manner. To come to the heart of the problem, wages are low because productivity is low. That is to say, employers operating under conditions of free competition will pay laborers in proportion as the latter give promise of adding to the value of the product. When men are scarce, relatively to the supply of land and capital, the employer will be justified in offering high wages, because under those circumstances the productivity of each of his prospective employees will be high. He will actually offer high wages, because if he does not, the laborers will tend to hire out to his competitors. But if laborers are plentiful, relatively to the supply of the other factors of production, the employer will be forced to offer lower wages, because under the circumstances each of the prospective employees shows promise of being able to add relatively little to the value of the product. In such a case, the employer will actually offer low wages because he need not fear that his competitors will hire all of the laborers applying for jobs.

Thus when laborers are plentiful, relatively to the demand, the automatic functioning of the law of supply and demand will result in low wages. We need not waste time debating whether or not there ought to be such a thing as the law of supply and demand; a far more profitable exercise is to recognize that such a law exists, and to

consider how our program of industrial reform may be adapted to it.

173. AN ECONOMICAL REMEDY FOR LOW WAGES.--Low wages are generally the result of low productivity, and low productivity is in turn the result of an oversupply of laborers relatively to the demand. Granting the truth of these premises, an economical remedy for low wages involves two steps: first, the demand for labor [Footnote: By "labor" is here meant those types of labor which are poorly paid, because oversupplied. Unskilled day labor is an example.] must be increased; and second, the supply of labor must be decreased. Any measure which will increase the demand for labor, relatively to the demand for the other factors of production, will increase the productivity of labor, and will justify the payment of higher wages. Competition between prospective employers will then actually force the payment of higher wages. Similarly, any measure which will decrease the supply of labor will strengthen the bargaining position of the laborer, and, other things remaining equal, will automatically increase wages.

174. INCREASING THE DEMAND FOR LABOR.--If we bear in mind that modern industry requires a combination of the various factors of production, it will be seen that the utilization of laborers depends upon the extent to which land, capital, and entrepreneur ability are present to combine with those laborers. Where there is a large supply of these factors, many laborers can be set to work. Thus one way of increasing the demand for labor is to increase the supply of land, capital, and entrepreneur ability.

The available supply of land can be increased by several methods. Irrigation, reclamation, and dry farming increase the available supply of farm land. The fertility of land may be retained and increased by manuring, rotation of crops, and careful husbandry. Improved agricultural machinery will also enable land to be used in larger quantities and in more productive ways. And while we do not think of man as actually creating land, the draining of swamps and the filling in of low places increases the available amount of both farm and urban land. By whatever means the amount of available land is increased, the effect is to open more avenues to the employment of laborers.

The supply of capital may be increased chiefly by the practice of thrift among all classes of the population. Capital arises most rapidly when individuals produce as much as possible, and spend as little as possible for consumers' goods. Any measure which will discourage the well-to-do from wasteful or luxurious ways of living, and at the same time encourage the poor to save systematically, even though they save only a trifle, will add to the supply of available capital. Every increase in the supply of capital will enable more and more laborers to be set to work.

Entrepreneur ability may be increased by a variety of methods. The training of men for business callings increases the supply of entrepreneurs. Taxes on inheritances, excess profits, and the unearned increment of land will tend to force into productive work many capable men who now either idle away their lives, or retire from business prematurely. It is also important that the well-to-do classes be encouraged to rear larger families, since it is these classes which can best afford to give their children the higher forms of training and education. Lastly, it is desirable to teach that leisure is disgraceful, and that whether one is rich or poor, the useful and productive life is the moral and patriotic life. "He who does less

well than he can does ill."

175. DECREASING THE SUPPLY OF LABOR.--Hand in hand with measures deigned to increase the demand for labor should go consistent efforts to decrease the supply of unskilled and poorly paid labor. One of the most effective means of accomplishing this is to restrict by law the immigration to this country of masses of unskilled workers which glut the American labor market and force down the wages of unskilled workmen already here. The general problem of immigration will be discussed elsewhere; here it is only necessary to note that as an economic proposition unrestricted immigration is undesirable.

The supply of unskilled labor may be somewhat restricted by additional laws. It is clear that we ought to pass and enforce laws which would prevent the propagation of mental defectives. There ought also to be laws which would discourage the marriage of individuals who show no promise of being able to rear and support children who are physically fit. It might not be expedient to pass legislation requiring a certain minimum income of persons intending to marry, but from the purely economic point of view, such laws would certainly be advisable.

Much in this general field can be done by non-legislative methods. Young people can be taught the desirability of postponing marriage until their earnings justify the acceptance of such a responsibility. Just as the well-to-do should be encouraged to prefer family-building to social ambition, so the poorer classes ought to be encouraged to postpone marriage until, through education or training, the proper support of a family is assured. This end must be secured through moral and social education, rather than through legislation.

The encouragement of thrift among the poorer classes of the population is an important factor in decreasing the supply of unskilled labor. Thrift increases savings, and by making possible education or apprenticeship in a trade, it enables the children of the unskilled worker to pass from the ranks of the poorly paid to the ranks of the relatively well paid. Thus not only does the practice of thrift by the poor add to the amount of capital in existence, and thus indirectly increase the demand for labor, but it helps the poor directly and immediately.

Vocational education is of fundamental importance in decreasing the supply of unskilled labor. It renders higher wages economically justified by training individuals away from overcrowded and hence poorly paid jobs, and toward those positions in which men are scarce, and hence highly paid. If vocational education turns unskilled workmen into entrepreneurs, such education has the doubly beneficial effect of lessening the supply of unskilled labor, and of increasing the demand for labor. The importance of trade schools, continuation schools, and other agencies of vocational education can hardly be exaggerated.

Employment bureaus and labor exchanges are essential to the democratic program of industrial reform. Just as vocational education must move individuals from overcrowded to undercrowded occupations, so the employment bureau should move laborers from places where they are relatively little wanted, and hence poorly paid, to places where they are relatively much wanted, and hence better paid. A coördinated system of national, state, and municipal employment bureaus is a valuable part of our program of industrial reform.

176. IMPORTANCE OF PERSONAL EFFICIENCY.--We have seen that the bargaining position of the laborer may be strengthened by any and all measures which would increase the demand for his labor, relatively to the demand for the other factors of production. As a general proposition, this strengthened position would tend automatically to result in higher wages.

Along with these measures it should not be forgotten that the industrial position of the individual worker tends to improve in proportion as he increases his personal efficiency. It is of the greatest importance that the individual should strive to secure as thorough an education as possible, and that he safeguard himself against accident and disease. He should realize, also, that employers seek men who are not only competent, but whose personal habits are attractive and trust-inspiring. Regardless of the scarcity or oversupply of labor, personal efficiency will tend to enable the worker to receive larger wages than would otherwise be possible.

177. SOMETHING MORE THAN HIGH WAGES IS NECESSARY.--We have taken some time to point out how wages might be increased without violating economic law. But high wages do not necessarily mean the abolition of poverty, indeed, actual investigations have proved that often poverty exists regardless of whether wages are high or low. A family of four, for example, might be well fed, comfortably clothed, and otherwise cared for in a normal manner, on, say, three dollars a day, provided that sum were utilized wisely. A second family of equal size, however, might spend six dollars a day so carelessly that the children would be denied such vital necessities as medical attention and elementary education, while neither parents nor children would be adequately provided with food or clothing.

178. INCOME MUST BE UTILIZED WISELY.--Thus an indispensable factor in the abolition of poverty is the economical utilization of income. Aside from the fact that it increases the amount of capital in existence, thrift is imperative if a family is to get the full benefit of its income. In both the home and the school the child should be taught the proper care and utilization of money. He should receive, in addition, fundamental instruction in such matters as expense-accounting and budget-making. Of similarly great value is the training of boys and girls to a proper appreciation of the home-making ideal, to which subject we shall return later. [Footnote: See Chapter XXIII.]

It is fortunate that we are directing more and more attention to these and similar measures, for they strike at the heart of one of the great causes of poverty--the inability of the individual to make the proper use of his income. Unless our citizens are trained to spend money wisely, and to distinguish clearly between the relative values of services and commodities, an increase in wages will never eliminate malnutrition, illiteracy, and other elements of poverty.

179. SUMMARY.--For the sake of clearness, let us summarize the essential features of the democratic program of industrial reform.

The first aim of this program is to give every individual precisely what he earns, no more, no less. Applying the principle of justice would result in heavy taxes on unearned wealth secured through inheritance, or as rent from land, or as monopoly profits.

The second aim of our program arises from the fact that justice might

not improve the condition of the laboring class, since some laborers manifestly could not earn enough to support themselves and their families decently.

In addition to administering justice, therefore, we must put the individual in a position to earn an amount adequate to his needs. This involves two lines of action: first, the bargaining position of the laborer must be strengthened by measures designed to increase the demand for his labor, relatively to the demand for the other factors of production; second, increasing the personal efficiency of the worker will render him more attractive to the employer.

The third aim of the democratic program of industrial reform is to teach the individual to use his income wisely and economically. Only after this has been done can we be assured that the raising of wages will materially improve the condition of the worker.

180. SOCIAL PROBLEMS.--There is an important word to be said here. The democratic program of industrial reform is economically sound, and ultimately it would eliminate poverty. But it is not an immediate cure for all of the social and economic ills of American democracy. There will long continue to be persons whom no amount of care can render capable of earning enough to support themselves. There are many other individuals who may ultimately become self-supporting, but who for some time to come will need special care and attention. There are, lastly, many other individuals who are partially or entirely self-supporting,--women and children, for example,--but whose social and economic interests need to be safeguarded by legislation. The democratic program of industrial reform could ultimately eliminate many of the basic social problems now confronting us; meantime we are under the necessity of grappling with such questions as labor disputes, the risks of industry, crime, and dependency. Indeed, no matter how vigorously and intelligently we attack the defects of capitalism, it is probable that we shall always have to face grave social problems. Part III of the text will accordingly be devoted to a consideration of American social problems.

QUESTIONS ON THE TEXT

1. Why is there no simple remedy for the defects of capitalism?

2. What are the three aims of the program advanced in this chapter?

3. What is the nature of justice?

4. In what sense is an unfair distribution of wealth a double injustice?

5. Under what conditions would the raising of wages tend to result in national bankruptcy?

6. What are the three chief methods of redistributing unearned wealth?

7. Why does the elimination of poverty demand something more than justice?

8. What is the fundamental cause of low wages? Explain clearly.

9. What is an economical remedy for low wages?

10. Why will higher wages result from an increase in the demand for labor?

11. By what three methods may the demand for labor be increased?

12. Name some of the methods whereby the supply of labor may be decreased.

13. What is the importance of personal efficiency in our program?

14. What is the relation of wages to poverty?

15. What is the importance of an economical utilization of income?

16. Summarize the argument in this chapter.

17. Why is the program outlined not an immediate panacea for all social and economic ills?

REQUIRED READINGS

1. Williamson, _Readings in American Democracy_, chapter xvii. Or all of the following:

2. Carver, _Elementary Economics_, chapters xiv, xxix, xxxi, and xivii.

3. Carver, _Essays in Social Justice_, chapter i.

QUESTIONS ON THE REQUIRED READINGS

1. Why does the need for justice arise? (_Essays_, page 3.)

2. What is the first duty of the state? (_Essays_, page 9.)

3. What is moral law? (_Essays_, page 23.)

4. What is the relation of meekness to national strength? (_Essays_, pages 33-34.)

5. What is meant by a "balanced nation"? (_Elementary Economics_, pages 118-119.)

6. What is the aim of balancing a population? (_Elementary Economics_, page 119.)

7. Name an important method of securing this balance. (_Elementary Economics_, pages 119-120.)

8. What classes of the population multiply the least rapidly? Why is this undesirable? (_Elementary Economics_, page 120.)

9. What is the object of the "geographical redistribution of population"? (_Elementary Economics_, page 120.)

10. Explain the working of the "law of variable proportions" in industry. (_Elementary Economics_, pages 258-260.)

11. Why are there differences of wages in different occupations? (_Elementary Economics_, page 268.)

12. What is the "law of population"? (_Elementary Economics_, page 273.)

13. What is the effect of immigration upon wages? (_Elementary Economics_, pages 273-274.)

14. What are the two ways of getting men to do what is necessary for the prosperity of the nation? Of these two ways, which is preferable? (_Elementary Economics_, pages 387-388.)

15. What are the dangers of freedom? (_Elementary Economics_, pages 389-390.)

TOPICS FOR INVESTIGATION AND REPORT

I

1. Make a study of the occupational groups in your locality for the purpose of discovering which of these groups receive the lowest wages. Can you connect the fact that they receive low wages with their numerical strength?

2. Is the supply of unskilled labor in your community affected by European immigration? If so, attempt to trace the relation of this immigration to low wages in your community.

3. What classes of workmen receive the highest wages in your locality? What is the relation of these high wages to the restricted number of this type of workman?

4. Study the methods by means of which land in your locality is utilized. In what ways, if in any, could various plots be made to employ more laborers?

5. By what means could the supply of capital in your locality be increased? In what ways might this increased supply of capital be utilized? To what extent would the utilization of this increased supply of capital justify the employment of additional laborers?

6. Do you believe that your community needs more entrepreneurs? What reason have you for believing that a training school for the technical professions would increase the productivity of your community?

7. Write to the Bureau of Education in your state for data relative to the status of vocational education in your commonwealth.

8. Interview one or more officials of a bank in your community for the purpose of learning of the ways in which banks encourage thrift.

9. Write to the Bureau of Labor Statistics in your state for information relative to the status of public employment bureaus in your commonwealth.

II

10. Causes of inequality. (Taussig, _Principles of Economics_, vol. ii, chapter liv.)

11. The Malthusian doctrine. (Malthus' _Essay on Population_. If this essay is not available, consult an encyclopedia under "Malthus.")

12. The principle of self-interest. (Carver, _Essays in Social Justice_, chapter iii.)

13. How much is a man worth? (Carver, _Essays in Social Justice_, chapter vii.)

14. Causes of the scarcity of labor. (Carver, _Elementary Economics_, pages 269-271.)

15. The importance of consumption. (Carver, _Elementary Economics_, chapters xxxviii and xxxix.)

16. Importance of thrift. (_Annals_, vol. lxxxvii, pages 4-8.)

17. Luxury. (Carver, _Elementary Economics_, chapter xl.)

18. Choosing a vocation. (Parsons, _Choosing a Vocation_.)

PART III--AMERICAN SOCIAL PROBLEMS

CHAPTER XVIII

INDUSTRIAL RELATIONS

181. LABOR AND CAPITAL.--Strictly speaking, five distinct factors are involved in production: land, labor, capital, coördination, and government. As a matter of fact, we are accustomed to speak of the immediate conduct of industry as involving only two factors: labor and capital. Used in this sense, the term labor refers to the masses of hired workmen, while the term capital is held to include not only the individual who has money to invest, _i.e._ the capitalist proper, but also the entrepreneur, or managing employer.

Labor and capital coöperate actively in production, while the other factors remain somewhat in the background. As we have seen, both labor and capital are essential to industry, and fundamentally their interests are reciprocal. But in spite of this basic harmony, there are many points of difference and antagonism between labor and capital. This chapter discusses the more important of these disagreements, and outlines some suggested methods of reducing or eliminating them.

182. THE FACTORY SYSTEM AND THE LABORER.--Wherever it has penetrated, the Industrial Revolution has concentrated large numbers of landless

laborers in industrial establishments controlled by relatively few employers. Very early in the development of the factory system, the laborer saw that he was at a relative disadvantage in bargaining with employers. Not only does the average laborer lack funds to tide him over a long period of unemployment, but the fact that his labor is generally his sole reliance obliges him to secure work at all hazards. The anxiety and discontent of laborers have been increased by the realization that the factory system affords little opportunity for the average workman to rise to the position of an employer. Most laborers are unable to secure either the training or the capital necessary to set themselves up as independent business men.

183. RISE OF LABOR ORGANIZATIONS.--The risks and limitations which the factory system imposes upon the laboring classes have encouraged workmen to organize for the purpose of promoting their mutual interests. The individual gains, it has been found, when his interests are supported by a group of workmen acting as a unit, and bringing their united pressure to bear upon the employer. The labor organization has been the result of this discovery. A labor organization may be defined as a more or less permanent and continuous association of wage earners, entered into for the purpose of improving the conditions of their employment.

The first labor organizations in the United States were formed early in the nineteenth century, but it was not until about 1850 that the trade union assumed national importance. After 1850, however, and particularly after the Civil War, the trade union grew rapidly. In 1881 a number of national trade unions combined to form the American Federation of Labor. This body, while exercising no real authority over the trade unions comprising it, is nevertheless an important agency in coördinating trade union policies throughout the country. It is important, also, as a means of formulating and expressing the aims and ideals of the working classes. The Federation had a membership of 2,604,701 in 1914, and in 1920 included more than 4,500,000 members. With the exception of the railroad brotherhoods, nearly all of the important trade unions in the country are affiliated with the American Federation of Labor.

184. RISE OF EMPLOYERS' ASSOCIATIONS.--The growing power of the trade union after 1850 stimulated the growth of employers' associations. In 1886 the first national employers' association was organized under the name of the Stove Founders' National Defence Association. Later there was formed a number of other important associations, including the National Association of Manufacturers, the National Council for Industrial Defence, and the American Anti-Boycott Association.

The primary purpose of the employers' association is the protection of the employers' interests against trade union aggression. Some of the associations are frankly hostile to the trade union movement, while others take the stand that the organization of laborers is undesirable only if the power of the trade union is abused. The promotion of friendly relations between labor and capital is increasingly an important concern of the employers' association.

185. WHAT THE TRADE UNION WANTS.--One of the basic aims of the trade union is either to raise wages or to prevent their reduction. Because of the constant shiftings of supply and demand, the prices of commodities are rarely stationary for very long. Over any extended period of time prices are either rising or falling. During a period of

rising prices the workmen are at a relative disadvantage, [Footnote: Rising prices affect all who purchase commodities, of course, but here we are intent upon the position of the laborer only.] because they have to pay for commodities higher prices than they had anticipated when they contracted to work for a definite wage. In such a case, the union attempts to secure higher wages for its members. When, on the other hand, prices are falling, the workmen gain, because they do not have to pay as high prices as they had anticipated. In this latter case, the laborers attempt to maintain their advantage by opposing any reduction in wages.

The desire of the trade unions to improve the general condition of the working classes has steadily widened the program of organized labor. Shorter hours and better conditions of work are important trade union demands. Unions quite generally approve the principle of a minimum wage, [Footnote: The principle of the minimum wage is discussed in the next chapter, Sections 205-207.] at least for women and child workers. Formerly, and to some extent even now, the unions have opposed the introduction of labor-saving machinery on the grounds that it displaces workmen and hence causes unemployment. Union members generally prefer to be paid by the hour or by the day, rather than so much per unit of product. The reason given for the preference is that strain and undue fatigue often result from _piece-work,_ as the system of pay on the basis of units of product is called. Trade unions universally demand that employers recognize the principle of collective bargaining, by which is meant the privilege of workmen dealing with the employer collectively or through the union. Very often, also, the unions demand the closed shop, that is to say, a shop from which all non-union employees are excluded.

186. WHAT THE EMPLOYER WANTS.--Price movements likewise affect the employer. But whereas the laborer is at a relative disadvantage when prices are rising, the employer tends to gain, for the reason that he secures for his product higher prices than he had expected. [Footnote: In a period of rising prices, the employer's costs also tend to rise, but generally not so rapidly as do prices.] Suppose, for example that a shoe manufacturer can make a profit if a pair of shoes sells for $4.00. If later the price rises to $5.00 and his expenses remain stationary or very nearly so, he reaps an unusually large profit. And whereas in a period of falling prices the laborer tends to gain, the employer often loses heavily, for the reason that he must sell at a relatively low price goods produced at a relatively high cost. If, in the case given above, the price of the pair of shoes falls from $4.00 to $3.00, while the expenses of the manufacturer remain stationary, or very nearly so, he may make little or no profit. Thus while prices are rising the employer attempts to maintain his advantage by resisting an increase in wages, while in a period of falling prices he seeks to cut down his expenses by reducing wages. In either case the immediate interests of workmen and employer are antagonistic.

Just as the growing complexity of the industrial situation has enlarged the trade union program, so the aims of employers have steadily increased in number and in importance. On the grounds that it restricts the fullest utilization of his plant, the employer very often objects to a shortening of the working day, even where there is a corresponding decrease in the day-wage. Some employers are unwilling to provide sanitary workshops for their employees, or otherwise to improve the conditions of employment. The employer generally objects to the minimum wage, as constituting an interference with his "right"

to offer workmen what wages he chooses. Collective bargaining is accepted by many employers, but many others insist upon the right to hire and discharge men as they see fit, without being forced to consider the wishes of the union. Employers often oppose the closed shop, and insist upon the open shop, an open shop being defined as one in which workmen are employed without regard to whether or not they are members of a union.

187. METHODS OF INDUSTRIAL WARFARE.--Both capital and labor back up their demands by a powerful organization using a variety of weapons. The trade union generally attempts to enforce its demands by threat of, or use of, the _strike_. A strike is a concerted stoppage of work initiated by the workmen as a group. Sometimes accompanying the strike is the _boycott_, which may be defined as a concerted avoidance of business relations with one or more employers, or with those who sympathize with those employers. The strike is generally accompanied by the practice of _picketing_, by which is meant the posting of union agents whose duty it is to attempt to persuade non-union workmen not to fill the places of the striking workmen. Pickets may also attempt to persuade customers not to patronize the employer against whom a strike has been launched. Sometimes picketing leads to _intimidation and violence_ on the part of either strikers or representatives of the employers.

In turn, the employer may employ a variety of weapons against workmen with whom he cannot agree. An employer may make use of the _lockout_, that is, he may refuse to allow his labor force to continue at work. Many employers also use the _blacklist_, _i.e._ the circulation of information among employers for the purpose of forewarning one another against the employment of certain designated workmen. The employer may also attempt to end a strike by persuading non-union men to fill the places vacated by the strikers. Such men as accept are known as _strike-breakers_. On the plea that the strike may result in the destruction of his property, the employer may resort to the _injunction_. This is an order secured from a court, and restraining certain laborers in the employer's interest.

188. THE COST OF INDUSTRIAL WARFARE.--The struggles of labor against capital constitute a species of warfare which involves the general public. Regardless of whether a particular dispute ends in favor of the laborers or the employer, every strike, lockout, or other interference with industrial coöperation lessens the amount of consumable goods in existence. Thus aside from the fact that industrial warfare encourages class antagonisms, it is an important cause of the relative scarcity of goods, and the resulting tendency of prices to rise. Often great injury results from a dispute which originally was of small proportions. In 1902, for example, the anthracite coal strike cost the country more than $100,000,000, though the strike had been initiated because of a local dispute over recognition of the union. In 1919, when we were suffering from a general scarcity of goods, there occurred in this country more than three thousand strikes, involving a loss of more than $2,000,000,000 in decreased production.

189. NECESSITY OF INDUSTRIAL PEACE.--Industrial warfare very often results in the correction of abuses, but in many cases it seems to bring little or no benefit to either labor or capital. In any case, it is a costly method, and one which constitutes a menace to the peace of the community. American democracy demands that in the settlement of

disputes between labor and capital, industrial warfare be replaced by some method less costly, less violent, and more in harmony with the principles of justice and civilized behavior. Responsibility for the present extent of industrial warfare cannot definitely be placed upon either capital or labor, but at least both sides should be obliged to recognize that the public is a third party to every industrial dispute. We should insist upon fair play for both capital and labor, but we should likewise insist that the interests of the public be safeguarded.

190. SOME METHODS OF INDUSTRIAL PEACE.--As has already been pointed out, profit sharing is not of great importance in lessening industrial unrest. Various systems of bonuses and pensions have temporarily improved the position of some groups of workmen, but experience has proven both bonuses and pensions to be limited in scope. Employers are often unwilling to adopt such devices as these, while the laborers frequently regard them as paternalistic measures which at best are a poor substitute for the higher wages to which they consider themselves entitled. Existing evils are often lessened by welfare work, which includes such measures as the establishment of schools, libraries, and playgrounds for the laborers. But in many cases welfare work is initiated by the employer for the purpose of diverting the attention of the workmen from their fundamental grievances, and for this reason it is often opposed by the workmen. All of the measures enumerated in this section are of more or less value, but as methods of combating industrial warfare, they have proved to be palliative, rather than remedial or preventive.

191. THE TRADE AGREEMENT.--In some industries there is a growing tendency for employers not only to recognize the union, but also to make a collective contract, or trade agreement, with the unionized workmen. The trade agreement may lead to the formation of councils in which representatives of both workmen and employer attempt to reach a friendly agreement upon disputed matters. The trade agreement has been particularly successful in many industries in England. In this countr

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