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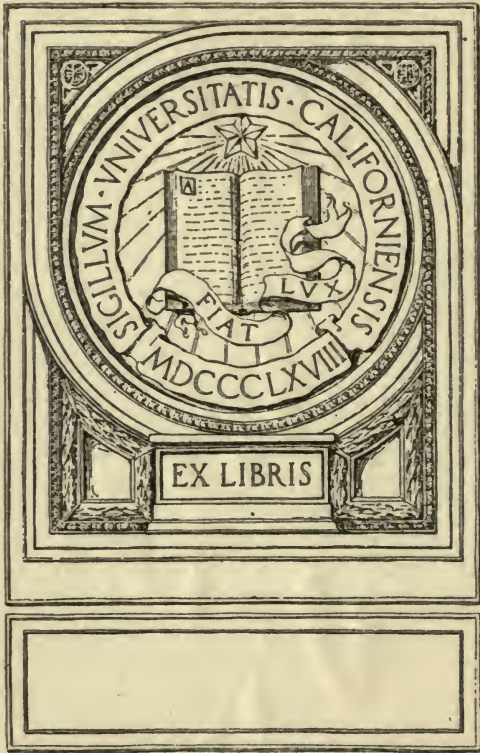


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**EXERCISES IN
CURRENT ECONOMICS**

HAMILTON

THE UNIVERSITY OF CHICAGO PRESS



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MATERIALS FOR THE STUDY
OF ECONOMICS.



EXERCISES IN CURRENT ECONOMICS

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EXERCISES IN CURRENT ECONOMICS

By

WALTON HALE HAMILTON



THE UNIVERSITY OF CHICAGO PRESS
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L. C.

PREFACE

This book of exercises has been prepared to accompany the author's *Current Economic Problems*. As complementary expressions of the same conception of economics and the same method of teaching, unity and completeness are to be found only in the two volumes together.

The *Exercises* follows the *Problems*, division by division, and section by section. In this volume each of the sections falls into four parts. The first gives a short statement introductory to the topic announced. These statements supplement the introductions to the divisions in the *Problems*, and are intended to give to the divisions the unity which the introductions to the divisions attempt to give to the treatment as a whole. The second gives, by number, a list of supplementary readings in the *Problems*. These are intended to show something of the many cross-currents in economic life and to indicate the intimate connection between seemingly independent problems. Since the sections bear the same titles as those in the *Problems*, it has seemed superfluous to enumerate the *required* readings. The third gives a list of questions based directly upon the readings. An attempt has been made to word them in such a way that they do not call for mere reproduction; that in answering them the student is forced to give something of his own. The fourth presents a series of problems based indirectly upon the readings. They are intended to test the student's acquisition of something more than the mere language of economics, his assimilation of readings presenting material from divergent viewpoints, and his ability to orient his thought in the face of conflicting opinions and testimony. These problems form the real test of the student's reading and study.

The character of the *Problems* has, of course, been determined by the theory underlying the two books. There are fewer problems calling for the mere accumulation of evidence and the annihilation of fallacies than usual. There are more whose objects are the clear statement of the real issues in the problems discussed, the logical

implications of viewpoints and programs, and the correlation of problems. This accounts for the prevalence of direct quotations followed by the monotonous injunction of "illustrate," "develop," "criticize," and "appraise." Above all, the idea in selection has been to introduce the student to "current economic problems," not to particular problems.

How much of the book is new, who can say? The author is under serious obligations to the authors of several books of problems for many of the exercises in this volume. But, since hardly one was used without more or less change in form to adapt it to the particular purpose, it seems unfair to charge the original authors with full responsibility. Further, the customary designation of indebtedness by initial fails to convey the full measure of the obligations which the author is under to those who have compiled books of problems, either for personal or for general use. The general influence of these books in determining the character and contents of the present volume has been so great that indebtedness for specific problems is small by comparison.

After long debate the author has concluded to exclude bibliographies from this volume. Exhaustive bibliographies require too much space and are almost worthless in an introductory course. Selected bibliographies, meeting the needs of the author, would probably fail to satisfy anyone else who is using the book. The instructor, from the materials which are at hand, will find no trouble in being able to find suitable supplementary reading. For the author to undertake to make the selection for the instructor would rob the latter of the intellectual liberty to give his own course, which it is one of the objects of this method to effect.

W. H. H.

AMHERST COLLEGE

May 8, 1916

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INTRODUCTORY

NOTE.—In each of the sections of this book the following symbols are employed: **A**, for the introduction to the section; **B**, for references to other readings bearing indirectly upon the assignment; **C**, for questions based directly upon the readings; and **D**, for problems based only indirectly upon the readings. Under **B** the references are to the readings in the *Problems* by number, not by page.

I. The Nature of Current Economic Problems

A. Economics, like every other science, attempts to answer a fundamental question and to raise a fundamental problem. Its question is, Why are all of us as well off, or as bad off, as we are; and why are some of us better off, or if you please worse off, than others? Its problem is, How can we as a community become better off, or escape becoming worse off, than we are at present? This, quite likely, involves the probability of some of us becoming better off, or worse off, than we are at present, at the expense of others. Into this large problem the miniature problems of our world, which we study and attempt to solve, all resolve themselves. Before studying particular problems we should attempt to find out what an economic problem is like.

B. *Current Economic Problems*, pp. xxvii—xxxii. Make a rapid survey of the table of contents of the volume, pp. xi—xxvi.

C, D. 1. Make a list of the more important questions of the day. Which of these are exclusively economic? Which are primarily economic? Which, primarily non-economic, have economic aspects? Which are non-economic?

2. How long has each of the following problems confronted society: rich man and poor man? employer and employee? the ratio of population to industrial equipment? competition and monopoly? industrial crises? unemployment? elasticity in currency? the regulation of railway rates? the valuation of public-service utilities? Show the beginnings of any of these problems. What of the end? Use your knowledge of any of these to illustrate the statement, "Economic problems are in process of gradual solution."

3. Make a list of a dozen problems which were of moment ten or, better still, twenty or thirty years ago. What has become of each

¹ Edwin Cannan, *Wealth*, v.

of them? What are the various ways in which they have been disposed of? How, after all, do economic problems get solved?

4. In the "solution" of these problems what agencies of social control were used? Was an effort made to secure immediate results, or was society content to secure a gradual "improvement" in conditions? Did the attempt at solution secure the result at which it aimed, or did the entrance of new and unexpected factors give an unlooked-for result? Was attention directed to the real problem or only to a superficial aspect of it?

5. Did the existence of these problems in the past imply the existence of great "evils"? Did their "solution" eliminate the evils or only change their form? Were they attended by the appearance of any new and unexpected evils?

6. Can we hope in time to rid ourselves of all economic ill? Can the fundamental economic problem mentioned in the introduction to this lesson eventually reach a solution?

7. Can an economic problem, say that of capitalistic monopoly, be studied and solved in isolation? Has it any connection with the problem of protection or free trade? crises and depressions? railway regulation? the "money trust"? trade unionism? immigration? the relation of the state to industry? socialism?

8. State two alternative solutions of the current problem with which you are best acquainted. Make a list of the probable consequences which would attend each solution. Are your consequences all economic? If not, what kinds of non-economic consequences are involved? Do you find all the "good" consequences on one side and all the "bad" on the other? How are the good and bad economic consequences to be measured against each other? How are economic consequences to be measured against political, social, ethical, and religious consequences? How is a judgment between these possible solutions to be made? Does your solution dispose of the problem in its entirety, or only of a current aspect of it?

9. Are the problems of rich and poor, and of employer and employee, just what they have always been? Were these problems of five hundred, one hundred, or twenty years ago just what they are today? Is their nature affected by our modern social arrangements, such as the modern state, property, and contract? Are they affected by our economic institutions, such as competition, division of labor, and international trade? Do our peculiar "social evaluations" of classes, institutions, and activities have anything to do with them?

10. Our approach to the end of the "exploitative" period is bringing about what changes in our attitude toward economic classes, institutions, and activities? It is bringing what new problems to

the front? Are these problems new, or only new to us? Can we state them quite accurately in terms used before or elsewhere?

11. "Economic problems are aspects of social development. Their solution is to be found in the direction of the growth of social life and institutions." By concrete examples illustrate how economic problems are to be studied as phases of a general developing movement. How does this method of treatment differ from that of studying them in severalty? From this viewpoint show the necessity of a general historical setting for the problems.

12. Show that each of the problems mentioned in this exercise is involved in the fundamental problem of economics as stated in the introduction to this lesson. State that problem in terms of its general historical setting.

13. Draw up in an orderly form the conclusions you have reached as to the nature of current economic problems.

I. THE ANTECEDENTS OF MODERN INDUSTRIALISM

2. Ideals Underlying Industrial Development

A. Our economic problems have their being, not only as part of a particular industrial system, but as part of a peculiar culture. They are rooted in our vast complex of businesses, markets, machines, and industrial functionaries; but their life comes from the world of ideas in which they thrive. About the whole material life and activities there lies a scheme of values, standards, attitudes, and habits of thought which give to the Western world a spirit and purpose all its own. Out of a past, reaching into the vague unknown, this scheme of values has been developed. It gives character to our system, determines the nature of its problems, and in myriad subtle ways conditions their solution. To understand our problems aright we must enter this strange world of values and ideas.

C. 1. Why should an account of the peculiar characteristics of modern industrialism be presented at the beginning of a sketch of economic development? 2. What bearing has each of the five characteristics of modern industrialism mentioned in 1 upon the nature of economic problems? 3. Show the devious ways in which the Christian teachings mentioned in 2 imparted to our social system the characteristics mentioned in 1.

D. 1. "After the fall of Rome society fell apart into a large number of small groups. The universal society, which had found expression in the Roman Empire, remained only as an ideal." How was the ideal of a universal society kept alive during the Middle Ages? Why was the ideal not lost when the Holy Catholic Church ceased to be a potent force in Western Europe?

2. "The centralization of Christendom in the papacy, the tithes collected by the church, the system of penance which it imposed, the pilgrimages it encouraged, the use of relics by good Christians, and the building of vast cathedrals, all these contributed something to the development of modern industrialism." Can you establish these connections?

3. Show the part played in the development of modern industrialism by the extreme dignity attached to human life, material means to well-being, and manual labor.

4. "Western society looks toward the future." Give several concrete illustrations. Point out the importance of this statement.

5. Make a list of the social values, or appraisals, of greatest importance which this lesson has suggested to you. Show how they "give character to our system, determine the nature of its problems, and condition their solution."

3. Manorial and Gild Economy

A. Manorial and gild economy have for us a double importance. First, they belong to industrial societies differing from ours in technique, in organization, in class structure, and in the nature of their problems. The contrast should help us to a better appreciation of our problems and their peculiar dependence upon their historical setting. Secondly, they made their contributions to the development of the industrial society in which we live. In them we see the beginnings of an agricultural system, a market, a pecuniary valuation, and an industrial order. We note the tendency of the last to expansion, and the appearance of incipient industrial classes.

C. 1. Compare the property rights of the lord of the manor with those of the capitalist-employer of today. 2. Compare the position of the villein with that of the agricultural laborer of today; with that of the industrial laborer of today. 3. What is meant by the "self-sufficiency" of the manor? What has brought about the passing of self-sufficient communities? 4. Illustrate Bücher's conclusions upon "itinerancy" and "home-work" with American examples. 5. What gild practices seem to you most peculiar? 6. What part was played by the gild in industrial development? 7. Show the transitional nature of the preamble of the gild of the tailors at Exeter.

D. 1. "The manorial system was an aggregation of like units; modern industrialism is an integration of a multitude of unlike units into a vast and intricate system." Illustrate. This difference in organization is responsible for what differences in the nature of the problems confronting the two societies?

2. Why were financial panics, commercial crises, and industrial depressions unknown in mediaeval Europe? What was the nature of economic disasters which mediaeval peoples had to fear?

3. "The relation of mediaeval lord and man was a matter of status; that of modern employer and employee is an affair of contract." Compare the advantages and disadvantages of the positions of the mediaeval and the modern proletarian. Did the serf or villein own any equities in the property with which he worked? Compare the problems of economic insecurity in the two systems.

4. "The production of an agricultural surplus is a necessary prerequisite to a differentiated industrial system." "The size of the agricultural surplus fixes the limit of urban growth." On the basis

of these and like statements write an essay upon the part played by the agricultural surplus in the development of modern industrialism.

5. What advantages in industrial efficiency had the mediaeval system of serfdom over the Roman system of slavery? Did serfdom make any positive contribution to the agricultural surplus?

6. "The monastery, an aggregation of mature males, possessed no purely consumptive class. Labor was evoked for the sake of discipline. In course of time the monks became very fond of the good things of life." With these sentences as a basis, show how the monastery contributed to the production of an agricultural surplus and the beginnings of a commercial system.

7. "The essential difference between the village and the town is that the village is a collection of homogeneous units, while the town is a collection of heterogeneous units differentiated and integrated." Translate and illustrate.

8. Compare the market for which goods were produced by the guildsmen with that which modern entrepreneurs have to consider. What differences do you note in the two "business" problems involved?

9. "To use modern terms, which were meaningless then, the guildsman was at once employer and workman, capitalist and laborer." Compare the "labor problems" of guild and modern industrial economy. Could labor unions have grown up in the mediaeval town? Could socialism have arisen? syndicalism?

10. What contribution did guild economy make to a development of each of the following: the market? the pecuniary system? the enlargement of the industrial community? modern industrial organization? modern technique? modern industrial classes?

4. Mediaeval Commerce

A. Through commerce the aggregation of small and self-sufficient communities, which were the mediaeval world, has given place to the complex system of interdependent groups, which we call modern industrialism. The new organization has tended, not only to the creation of a universal industrial system, but to a world-wide society and a cosmopolitan culture as well. It has left its imprint upon all our institutions, political, economic, ethical, religious, and social. It has translated all our problems into terms of the larger social group. It has made the fact of interdependence of paramount importance in the consideration of our social arrangements.

C. 1. Why are no readings given in the *Problems* recording actual mediaeval exchanges? 2. In what respects do the histories of commerce with which you are acquainted fail to meet Forrest's definition?

3. Connect the attitude of the early church toward commerce with its fundamental concept of value. 4. Did the commercial activities of the church establish permanent commercial relations? 5. Did they tend to establish habits of thought and practices favorable to commercial development? 6. Is there any evidence in the selection from Macaulay that some of our problems are not as new as we think?

D. 1. "The history of commerce is the history of social and industrial development." Explain the parts played by economic differentiation and integration in this development.

2. "The idea that value is a physical property of an object, if rigidly adhered to, would have prevented the development of mediaeval commerce and the larger social system." Show some of the social values derived from this idea which tended to prevent industrial development.

3. Make a list of the social values of the Middle Ages which were favorable to the development of commerce.

4. "As an active instrument in the realization of a universal society commerce deserves to rank as the legitimate successor of the mediaeval church." How can commerce be thought of as the successor of the church? Is this statement too strong?

5. Show the dependence of commercial success upon standardized and predictable conditions. What part has commerce played in an enlargement of the political unit? in suppressing local disorder? in rendering social arrangements more certain? in standardizing legal codes? in preventing war?

6. Review the list of current problems which you drew up in the first exercise in this course. What problems in your list would not be present but for the commercial development of the last few centuries? What problems would be present but of quite different characteristics? What problems have been unaffected by the developing interdependence in social life?

5. Mediaeval Industrial Policy

A. At many points mediaeval policy is strikingly in contrast to that of modern industry. A spirit of group solidarity, a distrust of individual initiative, a high regard for the interests of the consumer, the personality of business relations, and the minute regulation of industrial activity seem alike quite strange to us. However, at present we are attempting to reclaim some of this ground which extreme individualism gave up and to re-create some of the values of the gild system. Yet the gild system was no industrial utopia. It may perchance be, if all the facts were known, that our standards of business ethics are well in advance of those of this idyllic period.

C. 1. Does the evidence presented in 4-7, 13, and 14 bear out the conclusions stated in 12? 2. In the mediaeval town was honesty the best policy? Did the guildsmen think so? 3. Classify the tricks of trade mentioned in 14 and 15, and state as many modern parallels as you can. 4. Contrast in as many respects as you can gild ideals and gild practices. 5. What fundamental principles underlie the policies mentioned in the readings?

D. 1. From the evidence which you have gathered would you say that mediaeval men acted from motives different from those which actuate men today?

2. What evidences of the existence of a spirit of solidarity among modern industrial groups can you discover? Is it like that in mediaeval society?

3. "The gild period was the golden age in industrial society. Class lines were obscure, the feeling of brotherhood strong, the instinct of workmanship well developed, goods were sold at reasonable prices, and the general code of business ethics was high." "A contrast of the ideals and practices of the gild period show the former to be sheer hypocrisy." What evidence lies back of each of these generalizations? What is overlooked in each? Were the ideals sheer hypocrisy? Of what value were they?

4. "The whole body of municipal market law can be reduced to two principles: first, sales must be public and at first hand; second, everything possible shall be produced in the town." Do you accept this statement?

5. State any lingering survivals of mediaeval practices which have come under your observation.

6. "The present tendency is back toward authoritative regulation of industry, toward consciously and deliberately making industrial activity conform to ideals which society sets up." Cite evidence in support of this statement. Of what value is mediaeval experience in solving the problems of social control with which we are now confronted?

6. Mediaeval Economic Theory

A. Mediaeval life and thought find accurate representation in an economic theory whose early expression is ethical and dominated by an ideal of justice. This finds expression alike in the doctrine of stewardship, the theory of just price, the low value set upon commerce, and the prohibition of usury. The last two of these, despite the magical instruments of social control which were used to secure conformity to them, were gradually, but radically, modified in the face of rising industrial culture. The first two, temporarily eclipsed,

have re-emerged in the very recent proposals for authoritatively regulating industry and fixing wages. Mercantilism is an expression of a people attaining nationalism and engaged in colonial exploitation.

B. 75, 76, 78, 140, 143, 145, 148, 200, 223, 321.

C. 1. In what terms would the modern sociologist express Aquinas' doctrine of stewardship? 2. What agencies of the control of industry are revealed in 17 and 18? Have they modern parallels? 3. In terms of the "theoretical tendencies" mentioned by Ingram, what thought today is mercantilistic? 4. Do you agree with Ingram's estimate of the contribution of mercantilism to industrial development?

D. 1. Can the early theories of commerce, price, and usury be explained in terms of contemporary industrial needs?

2. "The mediaevalist meant by a just price the customary price." Show that a theory of just price assumes a static society. By what ultimate standards did the mediaevalist attempt to determine the equity of a particular price? Were they satisfactory?

3. Bring to the class any arguments, discussions, or proposals that you have been able to find which have underlying them the doctrine of stewardship.

4. What large group of agencies of social control are suggested by these readings? Mention agencies of these types which are in use today. Do you regard them as important?

5. Give an account of the economic, religious, political, intellectual, and social conditions under which the theory of mercantilism arose.

6. "To understand mercantilism aright, we must note the policy which it displaced, and which, at its inception, was its antithesis. This was not economic internationalism, as so many writers seem to think, but economic localism." If this was true, what light does it throw upon mercantilism as a factor in industrial development? Is it true?

7. What relation is there between the dominance of mercantilism in English political thought and the American Revolution?

8. Make a careful comparison of mercantilist thought and its modern parallels.

9. "A policy of national restriction, such as mercantilism, could not live in opposition to the larger commercial society which it was one of the most important factors in creating." Why? Does this mean that mercantilism wrought its own destruction?

II. THE INDUSTRIAL REVOLUTION

7. The Antecedents of the Revolution

A. A comprehensive presentation of the antecedents of the Industrial Revolution is impossible. Every aspect of life—ethical, religious, political, industrial, intellectual, and philosophical—made its contribution to the movement. The march of events—the Renaissance, the great discoveries, the Reformation, the rise of nationality, the settlement of America—all of these had their part in determining its coming. Racial and geographic conditions caused it to appear first in England. In lieu of the complete story the readings presented suggest only a few of its many antecedents. They should, however, serve to reveal the movement as a slowly developing one comprehending all the threads which together make up social life.

C. 1. Do you accept Marshall's statement of the contribution of the law of primogeniture to the Industrial Revolution? 2. Compare the industrial conditions on the eve of the revolution with those of manorial economy; those of guild economy. 3. Was the laborer's position then better or worse than it is now? 4. Is there any connection between "Spanish Gold" and the steam engine? 5. Why did not the revolution come a century earlier?

D. 1. Why had so few improvements in technique been made from the fifth to the eighteenth century?

2. Give illustrations from Toynbee, or elsewhere, of each of the following characteristics of industrial life before the revolution: the short time of the productive process; the limited extent of the market; the personal character of industrial relations.

3. "It is only when a people meet a crisis that they are ready to depart from their customary ways of doing things and to formulate new habits." Show how the opening of the New World brought England face to face with such a crisis. Show how, in the face of this crisis, the customary system was bound to go.

4. "The settlement of America was in no little measure responsible for the great inventions which characterized the Industrial Revolution." What influence had the settlement of America upon the extent of the market? the size of the factory? specialization in production? the division of labor? the capitalistic organization of industry? the display of inventive genius?

5. Why did the Declaration of Independence, the French Revolution, Adam Smith's *Wealth of Nations*, the great mechanical inven-

tions, and Goldsmith's *Deserted Village* appear within a few years of each other?

6. "The Industrial Revolution is to be explained very largely in terms of the changed ratio of industrial resources to population effected by the settlement of America." By clear-cut illustrations show the importance of this ratio. Give the argument which leads to the conclusion stated above. Do you accept it?

8. The Nature and Scope of the Revolution

A. Gradual as was its course, the industrial movement which we are studying wrought a general revolution in social life and values. The technique which it established proceeded from new and radically different principles. The organization which it effected was marked by a new and radically different distribution of industrial functions. It placed the welfare of all classes upon a pecuniary basis. It resolved society anew into social strata. Finally, in myriad ways, in the industrial, political, ethical, religious, and intellectual aspects of life, it created new standards, established new institutions, and raised new problems.

C. 1. When did the Industrial Revolution begin? end? 2. What factors do you regard as of greatest importance in the development of the new technique? 3. Illustrate from your own observation the slow subjugation of the industrial system by the machine technique. 4. Into what further industries and occupations do you expect to see the machine system extended? 5. Show, by a presentation of the facts in the light of the proper economic principles, how England came to face the alternative of cheap food or a lower margin of cultivation and higher rents. 6. Was the capitalist a product of the revolution? the "wage-slave"? capitalism? 7. By giving concrete illustrations, show how many and what aspects of life were affected by the revolution.

D. 1. "The economic discovery of America made the craft technique inadequate." Explain.

2. Point out the problems involved in the creation of the machine technique and the application of mechanical power, state the facts and principles which were necessary to a solution of these problems, and show how these were supplied by the scientific work of the seventeenth and eighteenth centuries.

3. "The revolution may be described in terms of three essential changes: the productive process has been lengthened, the market has been enlarged, and industrial relations have become impersonal." What problems are associated with each of these three changes? What essential changes have been omitted from the above list?

4. "Modern civilization rests upon coal and iron." What important changes in the localization of industries have come about because of the dependence of the new technique upon these minerals? What part have they played in the growth or decline of nations in the nineteenth century? Can England hope to remain "the workshop of the world"?

5. "Productive industry is dependent upon science. Physics, chemistry, metallurgy, geology, and biology contribute to the establishment and extension of our industries." Illustrate the relation of scientific "progress" and industrial development. What nation furnishes today the best example of the interdependence of the two?

6. In a discussion of the revolution why is so much attention given to the development of the means of communication and transportation?

7. "Many of our legal, political, and religious institutions are much more consonant with the spinning-wheel than with the electric dynamo." What have spinning-wheels or dynamos to do with legal, political, or religious institutions?

9. Labor and the Revolution

A. No aspect of the revolution has received so much attention as the rise of the "industrial proletariat." Accordingly it seems well to emphasize this phase of the great transformation of society by presenting two conflicting views as to what it has meant for labor. The questions raised will appear time and again in our later study.

B. 118, 254, 283, 355, 366-69.

C. 1. Compare the viewpoints underlying the two readings.
2. State the two conclusions as to the influence of the Industrial Revolution upon the welfare of the industrial laborer. 3. What are the questions at issue?

D. 1. Connect the Industrial Revolution with the rise of the "Fourth Estate."

2. Did the revolution increase, or decrease, the importance of contract? What had this to do with the welfare of the workers?

3. Is a machine an instrument of production which tends to displace the laborer, or is it a device which increases his productive efficiency?

4. What has been the effect of the machine technique upon the standard of material comfort enjoyed by the laborer? Will the further extension of the machine technique produce like effects?

10. The New Industrialism

A. The new industrialism has its technical basis in the closely related capitalistic method of production, machine process, and factory system. Its business basis is to be found in the institutions of the market, pecuniary valuation, and corporate organization, which are discussed elsewhere. Upon this foundation there has been created, not only a new industrial system, but a new economic culture. The modern problems of the home and the rise of the "economics of feminism" furnish a single example of the cultural changes which the new industrialism is effecting and the problems to which it is giving rise.

B. 68, 70, 90, 95, 96, 97, 262.

C. 1. Is Forrest correct in his contention that capital causes a large amount of modern wealth to be socialized? 2. By reference to some establishment with which you are familiar explain concretely Bücher's definition of the factory system. 3. Of what practical importance is the view of the machine process expressed by Veblen? 4. With what statements or conclusions of Davenport's do you agree? With what do you take issue?

D. 1. Is Forrest arguing implicitly for an industrial aristocracy? a plutocracy?

2. "The individual is compelled to serve society by turning back into the productive processes much of the profit derived from invested capital." What does this mean? Assuming it to be true, of what value is it to the legislator considering the minimum wage, the income tax, the protective tariff, or some similar proposal?

3. What differences do you note between country and city laborers? The possession of what characteristics makes a good laborer under the domestic system? under the factory system?

4. "By virtue of this concatenation of processes the modern industrial system at large bears the character of a comprehensively balanced mechanical process" (Veblen). Translate and illustrate.

5. Show, by examples, how the machine process has affected our daily habits, our ways of thought, and our attitudes on public questions. Cite evidence of the use of the machine process in religious and educational work.

6. Enumerate as many religious, ethical, political, and social problems as you can which have been affected by the Industrial Revolution.

11. The Extension of Industrialism

A. The Industrial Revolution is still in process. Industries old to the machine process are using more and more complicated devices. Industries new to it are feeling its transforming touch. The changes which it is destined to effect in our social arrangements have, perhaps,

only begun to make themselves manifest. Quite as important is the generally neglected extension of the industrial system. The competition of industrial and non-industrial culture, the victories of the former, the ever-expanding area of the modern industrial system, and the reactions of this contact upon the system are of great current importance and fraught with grave future meaning.

C. 1. Mention the various aspects of Western and of primitive culture which are coming into conflict along the "margin of civilization." In each case what is the result? 2. Compare in detail the industrial system of the West and that which is being established in the East. 3. Of what utility is Johnson's distinction between "capital proper" and "exploitative capital"? 4. Do you accept the argument connecting exploitative capital with war? 5. State, as definitely as you can, the effects upon Western industrial culture of its economic conquest of primitive cultures.

D. 1. Can you associate exploitative commerce with the Colonial wars of the seventeenth and eighteenth centuries?

2. A capitalist invests \$100,000 in a mine, uncertain as to whether he will get anything in return or not. At the end of three years he is making \$50,000 per year net, or 50 per cent on his investment. It appears certain that this rate will continue indefinitely. The ordinary rate of return from investments equally safe is 5 per cent. Will the value of the property remain \$100,000? Will the investor have to continue owning the property to get the future returns upon his lucky investment? What may he be expected to do? If he sells, what rate of return will the purchaser make on his investment? What general conclusions are suggested by these questions?

3. Why has America in the past been exporting so little capital? Why are we now beginning to export capital? What political or economic import do you attach to the change?

4. "The relation of the industrial and non-industrial parts of the world may be thought of as an area wherein uniform prices tend to prevail, surrounded by areas which have prices radically different." Trade between parts of the same area can yield profits how large? between different areas? Why in the latter case is monopoly so essential to the traders? What relation has the state to the maintenance of such monopolies? Cite historical examples. Of what consequence are these things in international affairs?

5. What, in your opinion, is the relation of the extension of industrialism to nationalism?

6. Is modern industrial culture superior to that of the native culture which it displaces? What makes you think so? What are the standards by which you pronounce one culture superior to another?

7. Will the world eventually constitute a single industrial community?

III. SOCIAL CONTROL IN MODERN INDUSTRIALISM

12. The Nature of Progress

A. The ultimate object of our study, it must not be forgotten, is the formulation of an economic program. But a program implies an end to be attained. We must accordingly, though not necessarily in this lesson, or even in this course, eventually decide upon that end. The making of such a decision implies a clear distinction between development and progress, and the formulation of a working concept of the latter.

B. 26, 27, 254, 355, 361, 362, 382.

C. 1. Enumerate the aspects of human culture. Do they all move "forward" together? What do you mean by forward? 2. What is the common denominator of change in these various aspects of life? 3. Is a scientific definition of progress possible? 4. What is the practical importance of the distinction between evolution and progress? 5. In formulating your concept of progress what weight would you attach to the various criteria mentioned by Bryce? What important criteria does he omit?

D. 1. Can society determine what it is to be?

2. Is civilization an advance over barbarism? Is our culture superior to that of the Middle Ages? Are England's social arrangements superior to Italy's? to China's? How do you know?

3. "To argue against conscious control of industrial activity on the ground that, without it, the fittest survive, is to argue in a circle." Give the argument supporting the above conclusion.

4. Is there a confusion between evolution and progress in any of the following quotations?

God's in his heaven,
All's right with the world.

Yet, I doubt not, through the ages one
increasing purpose runs.

One life, one law, one element,
And one far off, divine event,
To which the whole creation moves.

I don't know where I'm going,
But I'm on my way.

5. "The greatest discovery of the nineteenth century is that we are on our way." What makes you think so?

6. "The masses have never made any contribution to the development of civilization. All progress has been the result of the efforts of a very small and select group." What social ideal is implicit in this quotation? Do you know of any society which has consciously acted upon it? What scheme of the distribution of wealth does it suggest? Should we accept this ideal?

7. "Social progress consists in a bettering of the material conditions of the masses." Answer the questions asked under 6.

8. "If we are to have progress, the productive equipment of society must be increased. Capital must be accumulated in increasing amounts." Compare the ideal implicit in this and the two preceding quotations. What social arrangements favor the accumulation of capital? Is the end of such a program the good of the few or of the many?

9. Would you rather live beneath God's blue sky or capitalistic smoke? Has this antithesis any bearing upon the problems of immigration and the tariff?

13. The Control of Economic Activity

A. If we are some time or other to formulate an economic program, we must learn what the agencies of social control are, how they act, and how they can be manipulated. We must come to appreciate the vast and complex system of instruments which society has slowly fashioned, and which may be used singly or in infinite combinations. If their bewildering nature makes understanding hard and manipulation difficult, it but evidences the multifarious and delicate work which they can be made to perform. It is the object of this assignment to make a beginning of an understanding of this system.

B. 15, 67, 70, 319, 327, 380.

C. 1. What agencies of control can be used to secure quick mechanical changes? Illustrate. 2. What agencies to secure gradual and organic adaptations? Illustrate. 3. What agencies can be used directly to secure the object aimed at? 4. What agencies effect their objects quite indirectly? 5. What agencies mentioned in the readings are most often overlooked in programs of control? 6. Illustrate, by citing concrete cases, the dangers of overlooking important agencies of control.

D. 1. "A distinction between evolution and progress leads inevitably to the elaboration of a program of social control." Why?

2. "Because of the multiplicity, variety, and efficiency of the agencies of control which we possess—despite the gravity of our

ignorance—we could not escape social control if we would.” Show why quite definitely.

3. Compare the problem and agencies of social control of the gild period with that of modern industrialism.

4. Show, by illustration, how each of the following has served as an agency of social control: the miracle plays, auricular confession, the worship of saints, symbolism, romantic literature, Cartesian philosophy, the elective system, the high social value set on thrift, the union label, vested interests.

5. Why have theories of social control been expressed so largely in the past in terms of state activity?

6. Which are the more efficient agencies of social control, the slowly developing institutions, such as family life, education, and ethical systems, or those promising immediate results, such as legislation, revolution, and the like?

14. The Statement of the Laissez-faire Theory

A. For our immediate purpose the most important aspect of the problem of social control is that of the relation of the state to industry. The theory which dominated legislation during the nineteenth century was *laissez-faire*. This theory is still quite potent. Its dominant note—that of limitation of the powers of government—presents a problem which will always be with us. In view of our larger problem we must form some notion of what *laissez-faire* was—and is.

B. 61, 135, 318, 332, 357.

C. 1. In what readings do you find an implied antithesis between nature and the state? Is this antithesis necessary to the *laissez-faire* theory? 2. Compare the views of Blackstone and Ravenstone; Rousseau and Godwin; Smith and Bentham. 3. What fundamental assumptions underlie the theory of *laissez-faire*? 4. What has Ingalls's *Opportunity* in common with the *laissez-faire* theory?

D. 1. Strip Adam Smith's argument against governmental restraints of its concrete matter and restate it in terms of the general relationship of industry and the state.

2. “The philosophical basis of *laissez-faire* is the fact that we cannot tell before the event who is wise and who is foolish.” If this is true, under what conditions would you expect *laissez-faire* to become the dominant philosophy?

3. Is there any connection between the appearance of so-called self-made men and a belief that in the industrial game the state should keep hands off?

4. How can the state justify itself in taxing the bachelor for the support of the public schools? Is this *laissez-faire*?

5. Why did *laissez-faire* come with the settlement of America and the extension of the machine process?

15. The Interpretation of Laissez-faire

A. To prove or disprove *laissez-faire* is a simple matter. To analyze it, determine its elements, and understand them is a difficult task. In content and form the theory seems unintelligible except against the background of the rapidly expanding machine culture which produced it. Its negative statement has served as a mask for the many positive features with which it is clothed; for it insists as strenuously upon authoritative guidance and interference at certain points in our arrangements as it opposes them at others. The question of its validity becomes, accordingly, not one of the general theory, but of the concrete proposals which make it up.

B. 40, 57.

C. 1. Do you accept the "principle of utility"? 2. What is its relation to the theory of *laissez-faire*? 3. Wherein do you differ from Mill in his opposition to government interference? in his statement of the province of government? 4. What is the place of authority in the theory of *laissez-faire*? 5. Does Cairnes attack the argument for *laissez-faire* or its assumptions? Does he prove his case?

D. 1. Can there be a game without "rules of the game"? Can there be such a thing as *laissez-faire*?

2. Why did not mediaeval Europe evolve a theory of *laissez-faire*?

3. Is there any connection between *laissez-faire* and liberalism? Methodism? the Declaration of Independence? the French Revolution? utilitarian ethics? individualistic philosophy? the elective system? Are these things in any way connected with the changed ratio of population to resources attending the settlement of America? the antithesis between the old restrictive system and the new machine technique?

4. "The true function of the state is to suppress force and fraud." But what are force and fraud?

5. Can *laissez-faire* be *laissez-faire* and take the policeman, property, and the courts for granted? What else does *laissez-faire* take for granted?

6. "To the practical man the precept '*Laissez-faire*' never meant 'Leave everything alone,' or even 'Leave all natural things alone,' but simply, 'Leave alone certain things which I think ought to be left alone'" (Cannan). Illustrate by citing specific evidence of the actual relations of the state to industry in the "*laissez-faire* period."

7. "*Laissez-faire* has been from the very first a theory of social welfare." Defend this statement.

8. "*Laissez-faire* was originally a cry for militant reform." What is it now?

9. "The acceptance of the idea of evolution has caused a restatement of the theory of *laissez-faire*. Its goal was once 'the good of all.' It has now become 'the survival of the fittest.'" Explain this change in detail. Does the contemporary argument rest upon a firm logical basis?

16. The Protest against Individualism

A. For some time a spirit of protest has been rising against the extreme individualism which dominated our institutional development and our social philosophy in the nineteenth century. This is due in part to the changed ratio of our population to our industrial equipment and in part to the unsatisfactory social conditions which have followed in the wake of the machine. It finds expression alike in the appearance of new problems—or problems new to us—and in a changed attitude toward the relation of the state to industry.

B. 74, 203, 248, 318, 355, 362, and pp. xxxii–xxxviii.

C. 1. What connection is there between the machine and urban misery and poverty? Is the connection inevitable or accidental? 2. Why are we attempting to explain so much of current history in terms of the "passing of the frontier"? 3. What "new issues" involve institutional changes? changes in mental attitudes? mere extensions of old policies? 4. With Brown's statement as a point of departure, make a list of the social and economic issues with which we are now confronted. 5. Is Ingalls or Mr. Dooley right about opportunity?

D. 1. Has American prosperity been due to our "fundamental institutions," our "individualistic policies," and the "wisdom of our statesmen"? Or has it been due to the potential resources of the country?

2. Make a list of the "paramount issues" in American presidential elections since the Civil War. How do you account for the fact that, generally speaking, none of these have been questions of serious social importance? Why are so many social problems of tremendous import just now appearing on our horizon?

3. "For the laborer the system of chattel slavery was far better than the current system of wage slavery. The future wages of the slave were capitalized into a current value that the slave-owner was forced to conserve. This insured care of the laborer's health and strength. Slaves were not worn out and scrapped, like old machinery, as they are under the present system of free contract." Do you agree?

4. Does the machine favor the concentration of wealth?

5. "America of the nineteenth century was in a stage of increasing returns." "Democracy as yet has not proved its case." What is the connection between these two statements?

17. The Theory and Program of Social Control

A. In response to the changing conditions just studied there is appearing a new philosophy of social control. In antithesis to *laissez-faire* it formally subordinates the interests of the individual to those of the larger group. It seeks solutions of our "new" problems in programs, differing widely in spirit and content from those of the nineteenth century. Its proposals are gradually becoming more definite, and it is a factor of increasing importance in any consideration of current economic problems.

B. 16, 38, 74, 195, 318, 326, 331.

C. 1. Compare Green's theory of individual liberty with Mill's. 2. Make an application of Green's theory to several economic problems not mentioned by him. 3. On the basis of the arguments advanced by Blease, Hobhouse, Adams (74), and Holmes (318), outline the case against the "evolutionary argument for letting things alone." 4. Show, from the evidence presented by Hobhouse and Dixon (195), what *laissez-faire* tends to become when put to the actual test. 5. Is Wilson's program comprehensive? definite? relevant? 6. Are the assumptions underlying Wilson's program those of Mill or of Green?

D. 1. "Social reform is only evolution conscious of itself." With this as a text, deliver a homily against the biological arguments for letting things alone.

2. "*Laissez-faire* and social control are not antithetical proposals. Just as *laissez-faire* has a positive side, so social control has a negative side. The questions at issue are the nature, degree, and subjects of control." By illustrations show the negative proposals implicit in social control. Show the importance of the last sentence.

3. Advocates of the two opposing doctrines agree that "the universe has been so contrived that the interests of the individual and of society are identical." Show how the advocates of *laissez-faire* and of social control differ as to which is to be left alone, the individual or society.

4. Has liberalism within the last hundred years changed its end? its program? its social philosophy?

5. "The Fourteenth Amendment does not enact Herbert Spencer's *Social Statics*" (Justice Holmes). Is there an antithesis between the fundamental presuppositions underlying our institutions and the incipient program of social control?

6. "Wilson's inaugural address is based upon the same presuppositions as to the welfare of society as lie at the basis of orthodox economic theory." Do you agree?

7. Determine quite definitely the meaning and implications of each of the following, and outline the program to which each would lead: (a) "the greatest good to the greatest number"; (b) "equal rights to all, special privileges to none"; (c) "social justice"; (d) "equality of opportunity"; (e) "to each according to his productive ability"; (f) "from each according to his ability, to each according to his need." Are rights, privileges, goods, opportunities, abilities, and needs things which exist in themselves, or is their existence conditioned by the general situation of which they are aspects?

18. Conservative Factors in Development of Social Control

A. But, before predicting sweeping "social reform," let us remember that our system has its conservative, as well as its radical, elements. A constitution that rigidly circumscribes social action, a strong distrust of "government meddling," shared by "big" and "little" business alike, a pecuniary system that identifies the immediate interests of all classes with those of the entrepreneur, and a tendency for the reform movement to discredit itself by ill-considered action are only a few among the many factors checking radical change. However radical or conservative our views, we must admit the importance of these elements and give proper consideration to them in any program of reform.

B. 12, 233, 289, 319, 324, 333.

C. 1. Are constitutions in their very nature conservative? Is ours more than others? 2. Is there a "legislative crusade against business"? Why do business men so generally think that there is? 3. Cite opinions you have heard similar to those contained in 61 and 62. 4. Connect the sensitiveness and delicacy of the machine process with the dominance of the entrepreneur viewpoint. 5. What factors in society oppose the dominance of this viewpoint? 6. Name legislative enactments and proposals which run counter to the five general conditions mentioned by Root.

D. 1. "A constitution is not intended to embody a particular economic theory." Do you agree? Does ours embody a particular theory?

2. "Within the last hundred years the aristocracy and the middle class have exchanged places as opponents and defenders of *laissez-faire*." Explain. Is the *laissez-faire* of today the *laissez-faire* of one hundred years ago?

3. Account for the increasing support given to "state's rights" by prominent business men.

4. "Industrial America is organized as a hierarchy." Defend or attack this statement.

5. "Exactly the same interests are responsible for protection in this country and free trade in England." What interests? How can they be furthered by different policies in different countries?

6. "It is the stability of conditions imparted by the conservatism of the legal system which makes industrial progress possible." Can you construct the argument leading to this conclusion?

7. Is a stratification of society on pecuniary lines a necessary condition of industrial progress? of social progress?

19. The Basis of National Efficiency

A. If we are to "get somewhere," we must have an idea of where we are going. If we are to formulate an economic program, it must have an end in view. It must aim at making our society in some respects different from the one we know today. Every program advocated today has an ideal society as its goal. By way of illustration two antithetical societies are presented in this assignment. Other types will readily suggest themselves to the student.

B. 221, 253, 379.

C. 1. Could America have succeeded with the German social system? 2. Could Germany have succeeded with the American system? 3. What are the basic differences between the two systems?

D. 1. Compare the ratios of population and industrial equipment in America and in Germany. Which factor has each had to conserve? Can you argue that American waste of resources has been a saving of a more valuable product, labor? Has Germany used its labor as efficiently as America has?

2. "The German system, through its efficient organization, tends to a fuller present utilization of current resources; the American system, through its scope for individual initiative, tends to a fuller utilization by society of its capacity for development." Work out this contrast in detail. Which is the more valuable national asset, a highly organized system which puts every man in his place, or one which allows such liberty that individuals in any class have reasonable opportunities to develop inventive ability? Has a country of the first type surrounded by countries of the second type any superlative advantage over its neighbors?

3. What conclusions are erroneously drawn from German experience with such reforms as vocational education, old-age pensions, and the like? Of what positive value is German experience?

4. "America would be a poor place for a Hohenzollern efficiency test" (Orth). Why?

5. What is the goal of the tentative economic program which you are formulating?

IV. THE PECUNIARY BASIS OF ECONOMIC ORGANIZATION

20. Price as an Organizing Force

A. Perhaps our most important problem is an improvement in economic organization. Of this, many of our current problems, such as unemployment and crises, are mere aspects. To understand this problem in its many ramifications we must understand the institutions which make up our economic organization. One of the most important of these, generally overlooked in lay discussion, is price.

B. 38-40, 70, 95, 97, 319, 327.

C. 1. Following the suggestions of Cannan, draw up a report on our social organization for the Association for the Advancement of Science of Saturn. 2. Enumerate the problems which would have to be solved by a committee which authoritatively set about supplying New York City with consumptive goods. Could they solve the problems?

D. 1. "In place of disorderly individual effort, each man doing what he pleases, the socialist wants organized effort and a plan" (H. G. Wells). Is the implication that the present system is without order and plan correct?

2. What determines the number of each of the following: civil engineers? bank presidents? hod-carriers? horses? automobiles? potatoes? books on economics? wheat acreage? steel mills? lino-type machines? typewriters? Is there any system here?

3. "Price is an industrial barometer. By advancing or falling prices producers are warned that society desires more or less of certain commodities." Explain with illustrations.

4. "The whole machinery of buying and selling is simply a convenient means of combining effectively the various factors in production and of assigning the appropriate shares of the product to those who have claims upon it." Explain with illustrations. Show how price regulates consumption.

5. "Our economic co-operation is regulated through price-variations." Explain.

21. Pecuniary Competition

A. A complementary organizing institution is pecuniary competition. Through its selective tests production is organized, distribution effected, and consumption regulated. It is no antithesis

of co-operation, but the agency through which the varied elements of our industrial world are brought into active co-operation.

B. 68, 133, 176, 203, 254.

C. 1. By citing quite divergent examples indicate the universality of competition. 2. Following Cooley's argument, show how competition organizes college activities. 3. Criticize Kingsley's concept of competition. 4. What is the fundamental importance of the distinction made by Adams? 5. Is competition necessarily associated with *laissez-faire*? 6. Can competition itself have an ethical character? If not, what is it that is to be adjudged good or bad?

D. 1. Is there any competition between the engineer and the lawyer? the hod-carrier and the scavenger? moving pictures and ice-cream? a warm dinner and a new lace collar? a piano and a trip to Europe? hats and shoes? an unborn child and a new home?

2. What is the basis of competition between college students? members of the same ball team? rival shoe manufacturers? economists? dramatists? good fellows? society women? settlement workers? May the basis of competition be changed in any of these cases? What changes in the "plane," or general conditions, of competition are possible?

3. Is there any competition within a public business, such as education? within a monopoly? Would there be competition within a business under socialism? between businesses? In which of these cases would competition be pecuniary? non-pecuniary? What substitute can be found for competition as an organizing agency?

4. "A producer has more control over cost than over selling price. He is therefore under constant temptation to use cheap materials, to underpay labor, or to use unfair methods." Is this temptation inherent in the nature of the competitive system? Can you mention instances of businesses unable individually to raise their standards, and yet welcoming legislation forcing all competitors to a higher plane? What is the point to be made?

5. "Competition is not law, but lawlessness. In competition, not character, but cunning, survives." "Competition was the gigantic motor that lifted our race in the nineteenth century to a standard where the mode of living of common laborers is more comfortable and desirable than the everyday existence of kings of whom Homer sings." Are the authors of these two quotations talking about the same thing?

6. "The detailed warfare of businesses in a trade is a truly co-operative economy which enables the industrial energy of the whole trade to function most productively" (Hobson). Translate and illustrate.

7. "It is only through competition that price can cause the limited resources of society to be used in such a way as to produce goods of proper kinds and in proper quantities to afford society the maximum of utilities." Make this intelligible. Do you believe it?

22. Price-Fixing by Authority

A. Prices are the products of a myriad forces which express themselves through competition. As organizing agents they lead to a myriad of consequences. But we may not like them; their consequences may fail to satisfy us. In such cases is it possible to set them aside and substitute others more to our liking? This question we must examine, for more than one proposal involving the substitution of "artificial" for "competitive" prices is before us.

B. 17, 18, 208, 279, 282.

C. 1. Why could not the provisions of the Statute of Laborers be enforced? 2. How is "right and proper" price to be determined? 3. What current projects of reform involve proposals similar to those of the Statute of Laborers or Luther's proposed commission? 4. Examine the case for and against "artificial" price-fixing.

D. 1. Show, by citing a concrete example, say that of the minimum wage, that price-fixing is a regulation of production, distribution, and consumption.

2. Cite as many examples as you can of prices fixed by custom or authority. How are these to be explained? How does a monopoly manage to maintain prices? With what classes of commodities, by what devices, and within what limits may we consciously "fix prices"?

3. How did it come about that so many "customary" or "right" prices were maintained for long periods during the Middle Ages? Did the stability of economic conditions have anything to do with it? How many of these customary prices survived the changed conditions appearing with the break-up of the mediaeval system?

4. Why do modern states attempt to regulate the rate of interest, but make no similar attempt to regulate wages? Do they succeed with interest?

23. The Function of Middlemen

A. Is the pecuniary organization of society which we have sketched an economic one? Do pecuniary rewards and useful functions always go together? To take a single example, it has long been insisted that "middlemen" are "parasites," that they "love to reap where they have not sown." An analysis of their functions shows that we could not easily get along without them. That we could not get along with fewer of them is not-so clear.

B. 358.

C. 1. Were the "forestallers" condemned by mediaeval statute and by Washington analogous to the middlemen of our system?
2. On the basis of the readings from Withers and Nourse, make a general statement of the functions of the middleman. Illustrate from some business not mentioned in the readings.

D. 1. "Farmers, miners, fishermen, and manufacturers have long been considered producers. But productivity was long denied the services of ministers, teachers, musicians, buffoons, and skirt dancers." What conception of wealth is at the basis of the distinction? In what respects is it erroneous? Why have men been so prone to regard middlemen as non-producers?

2. "The seller of cut glass ware frequently makes 100 per cent upon his merchandise; druggists not infrequently sell prescriptions at an advance of 200 per cent to 300 per cent above the cost of the ingredients going into them." Do these percentages in themselves indicate excessive gains? What is overlooked by the author of the above quotation?

3. A man who had paid \$4.00 for a barrel of apples found inside this note: "DEAR CONSUMER: I was paid eighty-five cents for this barrel of apples. How much did you pay? PRODUCER." Is there evidence that either producer or consumer was cheated?

4. One of seven competing grocers advertises in the paper. Does it pay him immediately? What will the other grocers do? In the end how much better off will anyone be? When the custom has become established, can a grocer cease advertising? The costs of advertising will eventually be borne by whom? Does competition tend to raise or lower costs of production?

5. "The high prices made possible by an agreement between retailers yield large profits which draw others into the business. In the end no merchant is getting an excessive return, but a much larger amount of capital is invested and a greater number of merchants are employed in retail merchandising than the services to be performed warrant." Does your own observation bear out or refute this conclusion?

24. Speculation

A. They who insist that in our society pecuniary rewards may be wholly dissociated from services rendered bring a second indictment, this time against the speculator. The charge against speculation is much more serious than that against merchandising. The recent agitation against "dealing in futures" makes timely, as well as pertinent, an examination of the place of speculation in the organization of industrial life.

B. 96, 132.

C. 1. Differentiate, as clearly as possible, investment, speculation, and gambling. 2. Show by concrete illustrations that the stock and produce exchanges are markets. As such, what functions has each to perform? 3. Draw up a glossary of terms used in speculation. 4. Using a hypothetical illustration of your own, explain, step by step, a typical speculative transaction. 5. Draw up a system of accounts covering the transactions mentioned by Stephens. By means of these show the utility of hedging. 6. Using a hypothetical illustration, trace the course of the price of a given stock through a year, showing the various forces which affect it. 7. Give examples of manipulation which have come under your observation. 8. Illustrate the economic functions performed by the stock exchange. 9. What is there for us in the account of Germany's experience with exchanges? 10. What features of speculative activity do you regard as good? as evil?

D. 1. Draw lines between investment, speculation, and gambling in the following group of instances: buying a share of stock with the intention of keeping it and actually keeping it; buying it with the intention of keeping it, but disposing of it because of an unexpected increase in price; buying it with the object of keeping or disposing of it according to circumstances; buying it for cash with the object of selling soon at a profit; buying it on a margin with the object of selling at a profit.

2. Did you, as a college student, ever take a difficult course and "hedge" with one quite easy? Give as many examples as you can of practices analogous to hedging.

3. "Speculation in wheat tends to lower the price of flour without lowering the price of wheat." Show how this comes about.

4. "Speculation tends to increase the supply of wheat by an addition of the paper supply sold by the bears, thus depressing the price." What fact is overlooked?

5. "Under the conditions fixed by organized speculation a buyers' monopoly of wheat or cotton is an impossibility. A buyers' monopoly of tobacco has been made possible by the very fact that there is no organized speculative market for tobacco. Thus the speculative market is a strong support of a competitive system." Cite other arguments supporting the last statement. Is it valid?

6. Show how speculation assists in establishing a single price in a single market. How comprehensive does it tend to make that market? Show how this price acts as a guide to production.

7. "The stock exchange, that delicate register of values, that sensitive governor of production, that accurate barometer of the people's needs, could not be replaced by any process that any state

socialist has devised or suggested" (Conant). Explain each of the above phrases descriptive of the stock exchange. What is the relation of speculation to the pecuniary organization of industry under competition? For the performance of these functions what substitute can you suggest?

8. Follow the price of Pennsylvania preferred, one other railway, and one industrial stock from now on to the close of the course. Plot on a graph the courses of these three securities. Explain all general variations of the market as indicated by the three. Explain variations in each of these from the courses of the others.

9. Draw up a legislative program which will strip speculation of "manipulation" and gambling and will leave it as free as it is at present to perform its proper economic functions.

25. The Corporation

A. It is impossible in this connection to make a study of all the institutions which contribute to the pecuniary organization of society. It has been found necessary to treat even such important agencies as the family, the labor union, property, and contract elsewhere. But to give a semblance of completeness to this aspect of our study, it is necessary to take account of one other institution—the corporation. Superficially the corporation seems to involve a question of the form of organization of the business unit. Basically, however, it performs important functions in the larger task of organizing investments, management, and labor into productive combinations.

B. 96, 174, 213.

C. 1. Draw up a glossary of the terms of corporation finance used in these readings. 2. What are the advantages to the corporation and to the public in issuing different classes of securities? 3. Is it to the interests of the management to follow a policy pecuniarily advantageous to the owners? 4. Is the welfare of the corporation necessarily dependent upon service to the public? 5. Show, by concrete examples, how the corporation encourages savings and increases the productivity of capital. 6. Does the corporation increase the productivity of labor? of managing ability?

D. 1. Why did the corporation first appear in the commercial field? What economic changes are responsible for its general invasion of the industrial field? Is it adapted to agricultural industry? to merchandising?

2. Draw up a scheme for the issue of corporate securities that will throw control of the business into the hands of those who will take long chances; into the hands of those who will play safe.

3. "In a corporation the interests of the owners, the management, and the public are out of harmony. The conflicting interests give rise to several very troublesome problems." Enumerate and illustrate the various types of conflict that may arise. How is ownership to be protected against management? against the public? How is the public to be protected against each?

4. "The existence of the corporation imparts fluidity to the various factors of production and permits them to be used in the most efficient combinations." Show, by illustration, how the corporation utilizes most efficiently business ability, capital, and labor.

5. "The corporation acts as an insurance against risk and stimulates investment in new enterprises." Enumerate and illustrate the functions performed by the corporation in industrial development.

6. Is there any causal connection between the corporation and the concentration of wealth? the stratification of society? the appearance of a leisure class?

V. PROBLEMS OF THE BUSINESS CYCLE

26. The Delicate Mechanism of Industry

A. In its long-time aspects the problem of economic organization is complicated by two characteristics of the industrial system. First, goods are being produced in anticipation of demand for an unknown future market. This may disappear before the process is complete, causing financial losses to the producers. Secondly, trades, prices, and credits are tied together into a closely articulated and extremely sensitive system. By reason of this the financial disaster mentioned threatens to become quite general.

B. 30, 255.

C. 1. Show, by concrete examples, the unknown factors in the problems with which "business enterprise" grapples. 2. Give illustrations of the most important lines of price relationship. 3. Explain the "sensitive mechanism of credit" by beginning at a point other than the one at which Moulton begins. 4. Enumerate the elements making for and against the "planlessness" of production. 5. Why is the organization of our productive system subject to periodic disturbance?

D. 1. Compare the problem of efficient economic organization under the manorial system and under modern industrialism. If goods were produced "to-order," could modern crises and depressions appear?

2. "The lack of a well-co-ordinated system of control makes industry resemble, at present, a mob rather than an army." Upon what do we depend for a correlation of industrial units? Is the dependence well placed?

3. What is the connection between the "roundabout process" of production and oscillations in trade?

4. Connect the complicated mechanism between producer and consumer and that between accumulators and investors of capital with periodic disturbances in industry.

5. "Under our present system a course of error may be persisted in for a considerable time without retribution." Illustrate. What is the result when retribution finally comes?

6. "Our present system permits the accumulation of debts up to the point where they can no longer be carried and a general collapse must follow." How is such an accumulation possible? Why does the collapse come?

27. The Economic Cycle

A. The more conspicuous disturbances to which the industrial system is subject, such as crises and depressions, have long been noted. Only recently, however, have economists come to see that there is a persistent variation in the volume of business and to elaborate a definite theory of the "economic cycle."

B. 120, 121, 132, 259

C. 1. In arguing that crises come "periodically," is Nicholson arguing that they come at regular intervals? Is he right? 2. Beginning with "flush" times, give Mitchell's explanation of the course of the cycle. 3. What advantages, if any, has the newer theory of "economic cycles" over the older one of "crises"?

D. 1. Account for the growing tendency to treat crises as an aspect of the general industrial system rather than as a mere phase of the financial system.

2. "Crises could not occur at regular intervals." If it were known that a crisis was destined to appear at a certain time, how would men act? In view of this activity, could the crisis appear?

3. Using an economic history of the United States for data, write a short history of "Economic Cycles in America."

4. Account for the extreme rhythm of business activity in America. What has been the relation of railroad building to the extreme sweep of the cycle?

5. What place has each of the following in the theory of the economic cycle: money economy? time-consuming methods of production? accumulations of new capital? development of technique? application of machine technique to our continent? extension of industrialism? world-wide market? war? fashion?

6. Is Mitchell's explanation of the business cycle to be regarded rather as a contribution to financial or to general economic theory?

28. The Antecedents of Crises

A. Each phase of the economic cycle is to be explained in terms of that which preceded it. Thus crises can be made intelligible only in view of their general industrial and financial antecedents.

B. 125, 158.

C. 1. In view of the theory of the economic cycle do you regard the account of the causes of the panic of 1893 as presented by Lauck adequate? 2. What criticism can you make of Lough's criteria for sizing up an industrial situation? 3. From the evidence presented in 103-5 give an account of the general conditions out of which the panic of 1907 came. 4. What is the relation of capitalistic monopoly to the rhythm of business activity?

D. 1. Using the criteria of Lough, make a careful study of the industrial conditions preceding the panic of 1893.

2. From all the available data which you can get together, what are your general conclusions about the "causes" of the panic of 1893? Were they industrial or financial? What criticisms of Lauck does your study lead to?

3. "The period intervening between the end of one crisis and the beginning of another has four distinct stages: first, the depression proper; second, a season of steady improvement; third, a season of rapid improvement; fourth, a collapse." Are the four stages distinct? Illustrate for the period from 1893 to 1907.

4. "One of the fundamental conditions leading to a crisis is an improper balance between capital tied up in long-time and short-time processes." Show, by concrete examples, how tying up too large a proportion of capital in long-time investments tends to precipitate a crisis.

5. From all the evidence at your disposal draw up a list of the general conditions out of which crises arise. Arrange these in the order of their importance.

29. The Course of a Crisis

A. Crises are alike and they are different. There is something of uniformity in the courses which they take; there is, also, much of individual variation. These characteristics can be best shown by a comparative study.

C. 1. Distinguish between panics and crises. 2. Compare the courses of the panics of 1893 and 1907. What have they in common? What are their differences? 3. What modifications of Hadley's statement of the order of events in a crisis does your study suggest?

D. 1. From the evidence contained in newspapers and financial weeklies make a study of the course of the crisis of 1873, 1893, or 1907.

2. "The usual signal for the beginning of a crisis is a conspicuous banking or mercantile failure." Shall we substitute the word "cause" for "signal" above? Shall we substitute "universal" for "usual"?

3. Trace the prices of two safe and two risky stocks from the latter part of a flush period through a crisis into the succeeding depression. Explain, as clearly as you can, changes in prices.

4. Show quite definitely how a crisis affects the activities and welfare of the laborer, the farmer, the manufacturer, the banker, the merchant, the exporter, the government employee, the professional man, the funded-income recipient, the real estate owner.

5. "The characteristics of an acute crisis are loss of confidence, scarcity of cash, and high rates of discount." Should "panic" be

substituted for "crisis"? Which of the characteristics mentioned are essential? Which are mere symptoms?

30. Financial and Industrial Conditions during a Crisis

A. No summary statement of financial and commercial conditions during a crisis is possible. In lieu thereof the contemporary material presented in the readings will suggest a few typical features. The outline picture presented can be rounded out by later study.

C. 1. Draw up a table of the various aspects of industrial and financial life mentioned in the readings. 2. Under each heading of your table state the conditions prevailing in 1893 and in 1907. 3. From this evidence state the general conclusions you reach as to industrial and financial conditions in times of crisis.

D. 1. "During crises many producers have supplies of goods in excess of the demand for them." Exactly what does this mean? In what industries do you expect to find largest excesses? Why?

2. By use of a graph trace the course of the rate on call loans on the New York market during the crises of 1893 and 1907. Similarly trace the course of the rate of exchange on London.

3. "The rate of interest depends upon the demand for and supply of, not money, but capital." "During crises excessive rates of interest are paid, not for capital, but for money loans." Are these statements contradictory?

4. "A premium on currency, frequently quoted during crises, is, in reality, nothing else than a depreciation of bank deposits." Explain.

5. "In the earlier stages of a crisis the investor is affected much sooner and to a much greater extent than the laborer." What makes the author think so? Is he right?

6. Using the table of aspects of industrial and financial life which you have drawn up, make a detailed comparison of conditions during crises and flush times.

31. Industrial Conditions during a Depression

A. The depression has never received the attention warranted by the importance of its place in the cycle. Its literature is very meager. Again we must attempt to extract from a few contemporary paragraphs an outline picture of its typical features.

B. 101, 257.

C. 1. Distinguish between a crisis and a depression; a panic and a depression. 2. May any one of these occur independently of the other two? 3. In 117 what items are taken as typical of general business conditions? Why? 4. Are the conditions mentioned in 117

as you would expect them to be in view of Mitchell's theory of the cycle?

D. 1. Trace out quite carefully the transition from the crisis of 1893 to the depression which followed it; the transition from the crisis of 1907 to the succeeding depression.

2. Why are bank clearings and freight mileage taken as the best indicia of the state of industry in the country? Can you mention others equally good?

3. Trace out in graphical form the course of two railway and two industrial stocks for three months of a flush period and the course of the same stocks for three months of a subsequent depression. In a like manner trace out the rate on call loans.

4. "During a depression the industrial machine seems to be half-stalled." What features of the depression suggest the analogy? Is it exact?

5. Using such materials as you can get together and applying the criteria you have formulated, determine at what point of the industrial cycle we are at the present time.

32. Typical Theories of Crises

A. Our study has, perhaps, already led to a tentative theory of the economic cycle. But, before putting it down in black and white, it is well to seek further light by examining the theories of crises which have been formally advanced. We cannot study all of them, for their number is legion. But the selections assigned present examples of the leading types.

B. 101, 102, 144, 148, 203, 255.

C. 1. Separate the theories which make up this assignment into groups and give a name to each. 2. Make a definite statement and a critical analysis of each with the end of determining its validity. 3. What other theories are suggested to you by the additional readings, by former assignments, or by your general reading? 4. Are there elements of these theories which you can incorporate into your explanation of the economic cycle? 5. Make a careful statement of your own theory of the economic cycle.

D. 1. Are crises most characteristic of non-industrial countries, thoroughly industrialized countries, or countries in process of industrialization?

2. "The extension of the machine system is the primary cause of crises. It diverts more and more of our productive resources from the production of 'staples' to the production of 'specialties.' Thus more and more goods are produced for an uncertain and capricious market." Present this argument more fully. Can a similar argu-

ment be made for immigration? In what other ways may the machine technique be regarded as a contributory factor in crises? How valid is the argument presented above?

3. "The cause of crisis lies in the varying proportion which the capital devoted to permanent and remote investment bears to that which is temporarily invested." "The essential cause of a crisis is the rupture of the equilibrium between agriculture and industry." State the arguments leading to each conclusion.

4. "Crises arise from the development of an inequality between future incomes and their present capitalized values." Explain, using a concrete illustration, just what this means. Does this suggest any theories previously discussed? Can this and the two statements in the preceding question be made parts of a larger and more comprehensive theory?

5. "All industry may be compared to carrying water to a central tank. The capitalists own the tank, the springs, the buckets, and all the implements. For every two buckets of water which the laborer carries to the tank he receives as wages one bucket of water. Under these conditions the tank must inevitably overflow, since capitalists can drink no more water than anyone else. When the tank thus becomes full, the capitalist will no longer hire the laborer to carry water. That is, all industry will cease. In other words, there will be a financial panic." What name is to be given to this theory? Wherein is the analogue imperfect? Wherein does the argument fail?

6. "A vast outlay on enterprises involving a large consumption of present goods, whether in the way of pure waste or temporary unproductiveness, ought always to suggest a feeling of danger." Why?

7. "The main cause of crises is the sudden realization of the insufficiency of capital to meet present demands." Connect the suddenness of realization with the functions of the financial middleman.

8. "The essential cause of crises is lack of confidence." But why is confidence eventually lost?

9. "Crises have no one sole and sufficient cause. They arise out of the economic situation as a whole." State, with adequate detail, why you agree or disagree with this statement.

33. Credit and Crises

A. From one point of view the industrial system is a vast and bewildering complex of present and future values. The maladjustment of these, owing to fallibility in prediction, is intimately connected with the rhythm in business activity. It is fitting, therefore, even if pecuniary institutions be beyond the horizon of our study, to dwell

briefly upon the relation of credit, which mediates present and future values, to the business cycle.

B. 28, 97, 98, 122, 123, 129.

C. 1. What is meant by the "cyclical demand for elasticity of credit"? 2. Show, by example, how "emergency credit" reduces the stress of a financial crisis. 3. Can the possibility of the issue of "emergency credit" lessen the general rhythm of business activity? prevent rhythm altogether? 4. Compare the "national banking" and the "new currency" systems in respect to emergency elasticity of credit; emergency elasticity of note issue.

D. 1. "Credit is a pecuniary instrument which mediates present and future values." Translate. What part does credit play in the rhythm of business activity?

2. "During the panic of 1907 the President of the United States allowed an evasion of a federal statute to prevent the failure of a large corporation. He permitted this corporation to be absorbed by a larger and financially stronger one." Could the necessity of absorption be attributed to any feature of the contemporary banking system? Was the act of the President defensible?

3. "The national banking system, which originated in 1863, was based upon the necessity of finding a market for government bonds." What particular problem confronted the government at that time? How did the creation of the national banking system contribute to the solution of the problem? What fundamental needs of an adequate credit system were overlooked?

4. "The national banking system was perfectly adapted to concentrating cash and restricting credits." How did it concentrate cash? restrict credit? What relation has such concentration and restriction to the rhythm of business activity?

5. Would the establishment of a central bank eliminate the rhythm of business activity? Would it lessen it more than the "federal reserve" system is likely to do?

6. "The signing of the act creating the federal reserve system marks the end of the severe industrial and financial crises which the United States has experienced periodically in the past." Do you agree?

34. Control of the Industrial Cycle

A. At last we reach the real problem of the business cycle. Is it desirable that an attempt be made to control the rhythm of business activity, and through it the pecuniary organization of society in its long-time aspects? If such control is desirable, is it possible? If possible, what are the proper ways and means? In formulating a program, if such be attempted, let us not forget that it must have its basis in the theory of the nature of the cycle which our analysis

has revealed. It must be grounded upon fundamental, not superficial, conditions.

B. 34, 96-99, 257.

C. 1. State as clearly as you can the fundamental conditions leading to the rhythm in business activity; the essential characteristics of the cycle. 2. Enumerate the "remedies," proposed in the readings or elsewhere, which merely "treat symptoms." 3. What proposals can be garnered from the readings for use in a program dealing with fundamental conditions? 4. Is the "severity of the trade cycle" a price which the United States must pay for rapid industrial development in the future?

D. 1. "During periods of depression the government should confiscate savings which lie idle in banks, and use them for the construction of public works of permanent value. Such an expenditure, by increasing the demand for goods and labor, would hasten the return of business to normal conditions." What costs would the carrying out of such a proposal involve? Would its results be worth the cost?

2. Enumerate the costs which the Webbs overlook in their proposal of "the cyclical distribution of government orders." What effects would the application of their proposal have upon the pecuniary organization of society? Would its results justify the cost?

3. "The most troublesome of the problems usually included under the head of 'unemployment' is inseparably connected with the business cycle." What have you learned about how the problem of "cyclical unemployment" cannot be solved? Have you any positive suggestions to make for its solution?

4. "Crises and depressions together eliminate from the industrial world unsound business units. It is through them that the survival of the fittest becomes industrially effective." Do you agree?

5. "Crises and depressions are the price which a highly industrial state pays for its progress." Is this statement true? Can this and the statement above both be true?

6. "The slowing up of development within a nation offers no immunity from the disturbances originating in expanding industry. Such slowing up is always accompanied by the export of capital to, and the import of securities from, the undeveloped parts of the world. Such parts are thus made an integral part of the national economic system, and disturbances originating there affect the domestic industrial system." Is this conclusion valid? In its light criticize the two statements immediately preceding and the conclusions in 132 and in the last paragraph of the introduction to V.

7. Formulate a program for securing a more adequate pecuniary organization of industrial activities, considered in their long-time aspect.

VI. PROBLEMS OF INTERNATIONAL TRADE

35. The Basis of International Trade

A. We have studied at some length, both in their immediate and in their long-time aspects, the problems involved in the pecuniary organization of society. There remains for discussion the territorial limits of the pecuniary unit. Shall the industrial system be left free to organize itself on pecuniary lines, irrespective of local, class, group, or political interests? Or, should such organization be subordinated to, or restricted by, such interests? We can best begin this study by determining what basis there is for a comprehensive pecuniary organization that transcends political and social lines.

B. 1, 32, 68, 97.

C. 1. Connect the problems of international trade with the problems of the pecuniary organization of society. 2. Make a classification of the advantages of international trade upon some other basis than that of importation and exportation. 3. Make an application of the law of comparative cost to the relations of individuals; of economic groups; of nations. 4. State, with illustrations of your own, the "theory of free trade." 5. Is the theory of free trade based upon the assumption of the perfection of the organization of society upon a pecuniary basis?

D. 1. Why should an effort be made to place territorial rather than religious, cultural, or class restrictions on trade?

2. In a mediaeval sermon occur these sentences: "The third are such as are busied with trade; we cannot do without them. They bring from one kingdom to another what is good cheap there, and whatever is good cheap beyond the sea they bring to this town, and whatever is good cheap here they carry over the sea." What theory of international trade underlies these statements?

3. "Trade is based upon differences in productive powers." Illustrate for both domestic and foreign trade.

4. "International trade may be based upon differences in (a) natural resources, (b) technical systems, (c) proportion between population and industrial equipment, (d) native capacities of the peoples, or (e) traditions of workmanship." Upon what other differences may it rest? Mention examples of trade resting upon each of these differences. Upon what differences does the trade between the United States and foreign countries rest?

5. "International trade, based upon differences in relative supply of labor, is of diminishing importance." Why?

6. "In Cuba the costs of producing olives and bananas are as 7:3; in Greece they are as 1:19." Will trade between the two countries pay? Which will export bananas? If Cuba has an advantage over Greece in the production of each of the commodities, will exchange pay?

36. The Mechanism of International Trade

A. The greatest source of confusion in popular discussions of foreign commercial policy is a failure to conceive of foreign trade as "exchange." This is due, usually, to an erroneous, or an inadequate, understanding of the mechanism of such trade. To give such an understanding as will serve for an intelligent discussion of tariff problems is the purpose of this section.

C. 1. Show, by illustrations of your own, how the use of "money" in domestic trade is reduced to a minimum. 2. Show how the same object is accomplished in foreign trade. 3. Are the adjectives "favorable" and "unfavorable," as applied to trade balances, apt? Do they tend to encourage clarity of thought? 4. Can there be such a thing as a "balance of trade"? 5. Mention the principal "invisible" imports and exports. Why should we take particular notice of them? 6. Demonstrate the proposition that "international debts are usually paid in goods."

D. 1. "Economically considered, no distinction can be made between domestic and foreign trade." Prove.

2. "A country gains from foreign trade, only on condition that its exports exceed its imports, in which case the balance is paid in gold." "A country gains from foreign trade, only on condition that its imports exceed its exports, in which case it gets more than it gives." In which statement dwells truth?

3. "Every year we pay millions to Great Britain for carrying goods between this and foreign nations. Think of it. Millions on millions in gold coin have been transferred from our coffers to those of England. How long can we stand this?" Do we pay England in gold for carrying our goods? How do we pay? Is it necessarily true that we should be richer if we built ships and carried the goods ourselves?

4. "A few towns in Germany produce more children's toys than the whole of the United States. This fact is greatly to Germany's credit, but it is very discreditable to us." Is it?

5. "I have it, on the authority of government statistics, that our losses in trade with South America, through an excess of imports

over exports, have exceeded the cost of the Civil War. The South Americans have thus received billions of dollars' worth of goods at our expense." Prove, by a similar argument, that we have obtained billions of dollars' worth of goods at England's expense.

6. "An importation of gold to pay for goods purchased here tends automatically to check itself." Demonstrate.

7. "To the extent that the domestic market is wrested from foreigners and given to protected home producers, the foreign market is wrested from unprotected home producers." Demonstrate.

37. The Demand for Local Protection

A. The case for protection can be clearly appraised only when a clear distinction is made between valid social interests and the interests of particular individuals, groups, or localities masquerading as social interests. A study of the demand for local protection serves to reveal the nature of the latter interests by revealing them unmasked. It has the added advantage of showing that, where the government cannot be used, there are many other social agencies which can be made to serve a pecuniary purpose.

B. 134, 135, 138.

C. 1. What function is erroneously attributed to money in the arguments for keeping trade at home? 2. Are these arguments sound from the standpoint of the interested parties? of communities represented? of the larger industrial entity? 3. What valid arguments can be advanced in favor of patronizing home industries? 4. Using an example which has come under your personal observation, write an essay upon "The Seen and the Unseen."

D. 1. "If Massachusetts were allowed to levy a protective tariff, it could add to its huge aggregate of industries a great banana industry." Could Massachusetts through protection build up a banana industry? Would this constitute a net addition to the wealth of the state?

2. Before the adoption of the United States Constitution the state of New York levied a protective duty on firewood shipped into the state from Connecticut. Did it act wisely? If there were no constitutional restrictions, would you expect the states of the Union now to levy protective duties against each other? the towns?

3. "The imposition of restrictions on trade, either through governmental authority or the creation of popular prejudices, interferes with a thoroughgoing division of labor and the organization of industrial society on the most comprehensive plan." Do you agree?

4. "The inhabitants of small towns are short-sighted in patronizing mail-order houses. There are some articles of imperative necessity which they must purchase from local merchants. Such

merchants, with the whole of the retail trade of the towns, barely manage to maintain themselves. If, then, they are denied a part of this trade, they must eventually go out of business. Then the inhabitants of the towns will be put to sad shift for these necessities." Is this argument valid?

38. The Perennial Argument for Protection

A. The individual, group, and local interests revealed in the last section are often conspicuously active in securing governmental restrictions on trade. How easy it is to translate particular into social interests, and how honored and venerable a large number of the arguments for restriction are, this section attempts to demonstrate.

B. 5, 12, 19, 77.

C. 1. List the arguments for restriction advanced by the sixteenth- to eighteenth-century authorities; the arguments advanced by the twentieth-century authorities. 2. Strike out the arguments common to each list. What arguments have you left? 3. Appraise the economic theory underlying each of the arguments advanced.

D. 1. "The principle of protection is sound, but under our conditions the national unit is too large for its efficient application. The South, which is just beginning to manufacture cotton, needs protection, not against the mills of Europe, but the mills of New England." Is this argument sound? What is the proper economic unit which should be protected?

2. "I believe in universal free trade by international agreement. But, if other countries are intent upon maintaining protection, it is only fair to ourselves to do the same." What is the great economic loss in having other countries shut out our goods? Can we better matters by shutting out theirs?

3. "A country has never been despoiled of its money by the working of its international trade" (Gide). Why does the author feel so sure about this?

39. The Case for Protection

A. Despite the preponderance of local and particular arguments, the policy of protection has a comprehensive social basis. It is the purpose of this section to reveal this. It springs from a general discrediting of the theory of *laissez-faire*, a conception of society in developmental terms, and an abiding faith in the conscious control of industrial evolution.

B. 50, 68, 135, 161.

C. 1. Compare the assumptions underlying List's argument with those of "free-trade" writers. 2. Under present conditions is List's

argument a defense of protection or of free trade? 3. Is the current validity of the "young-industry" argument practical or merely academic? 4. What attack does the argument that protection encourages capital formation make upon the assumptions of the free-trade argument? 5. Make a careful appraisal of the assumptions of the argument for free trade. 6. Can protection alone secure the "industrial mobilization" necessary to national defense?

D. 1. "Through our policy of protection men have been induced to invest capital in enterprises which, under free trade, would be unprofitable. Since the government has encouraged such investments, it must protect them." What name is given to this argument? What current validity has it?

2. "A nation exporting grain in large quantities can profit tremendously through protection, which diverts labor and capital from agricultural to manufacturing industries. Because of the peculiar demand for grain, a smaller total product can be sold for a greater sum than a larger total product. By such diversion foreign nations can be made to bear the expense of newly created manufacturing industries." What conditions must be added to those enumerated above to make the conclusion valid?

3. "The protective tariff has the incidental advantage of forcing the foreigner to pay a large part of the cost of running the government." In general, are customs taxes paid by foreigners? Can you point to cases in which they do pay them? In such cases do the duties yield protection?

4. "The argument against protection is that it diverts labor and capital from more productive to less productive industries. The obvious answer is that it creates the capital and induces the immigration of the labor employed in protected industries." Where lies the truth?

5. "Protection has served to convert a large amount of consumptive into productive wealth, and has concentrated this in the hands of the class best fitted to secure the maximum returns from it." Do you agree?

6. "Protection may serve a useful purpose in conserving the natural resources of a country." How? Can it be made to waste natural resources?

7. "Protection may aid in the preservation of the health and vigor of a people through the maintenance of a proper balance between manufacturing and agriculture, between city and country." How? Can free trade be sued to secure such a result?

8. "The success of protection is contingent upon the generosity with which its favors are bestowed." Develop and appraise this argument.

9. "Protection is a bulwark of national strength in time of war." "Free trade leads to a differentiation of functions between nations that acts as an insurance against war." Which argument is true?

10. "Protection broadens and enriches our social life by diversifying our industrial system. It is an insurance against the cultural monotony which free trade fosters." What validity has this argument?

11. "Protection must be as broad as the American principle of democracy. Let us not aristocratically protect a few favored industries, for instance, sugar, steel, and rubber. Let us show our American spirit by placing duties upon all articles of import, and by this means let us enable every manufacturer, every farmer, every merchant, and every laborer throughout this fair land of ours, to receive a larger income and to enjoy a larger amount of the good things of life than he could were his industry not smiled upon by the beneficent rays of protection." Can it give to all more of "the good things of life"? This argument might be called "boot-strap aviation." Why?

40. The Influence of the Tariff on Wages

A. The various influences exerted by the tariff on wages are implicit in the discussions of the arguments for free trade and protection. However, because of the importance of the wages question in practical tariff controversy, the more important of them require separate presentation.

B. 134, 135, 152, 153.

C. 1. What contradictions do you find in the wages arguments of the protectionists of 1824 and 1901? 2. Under what conditions does protection lower the rate of wages? 3. Does it lower wages by decreasing the price of labor or increasing the prices of goods? 4. If protection leads to the formation of new capital, what effect does it have upon wages?

D. 1. "In America the wages of labor are so high that one cannot make enough in manufacturing to pay them without protection." "In America the high wages enjoyed by labor are due to the high protective tariff." Point out the contradictions between these arguments. Which is valid?

2. "Advocates of free trade assert that protection forces labor to work against nature rather than with it. If this be so, to obtain a given result a larger amount of labor will be demanded under protection than under free trade. But, just because of this increased demand wages will be higher than under free trade." Would wages be higher if all land were stony? if laborers were forced to work with one hand tied back of them? Point out the fallacy in the use of the term "demand" above.

3. "Wages are determined by the marginal productivity of labor within the economic entity. Accordingly, if two nations freely exchange commodities with each other, the poorest opportunity for labor utilized in either of the nations will fix the rate of wages. What, then, must be the consequences of a free exchange of goods between the United States and China?" What confusion underlies this argument?

4. "The standard of living of American laborers is the highest in the world. The American wage, therefore, must be the highest paid anywhere. But since American entrepreneurs are forced to pay high wages, they must be allowed to sell their goods at high prices. To do this they must receive the benefits of protection." Point out the fallacies underlying this argument.

5. "Under free trade natural resources are used most advantageously. Consequently the marginal productivity of labor is kept highest. It follows, therefore, that wages must be at a maximum." Is this sound?

6. "Under protection the amount of capital is constantly being increased. Consequently the marginal productivity of labor is constantly being raised. It follows, therefore, that wages must be at a maximum." Is this sound?

41. The Historical Setting of the Current Tariff Problem

A. The examination of the conflicting theories of free trade and protection which we have just made is necessary to an appreciation of the issues involved in the current tariff problem. But, since we are not free to start our national experience anew, we are confronted by no simple alternative of free trade or protection. We are called upon rather to modify a highly complex and established tariff system. This problem calls for an understanding that can be obtained only by inquiring how our tariff system has become what it is.

B. General Introduction, Part 2, 54, 233, 238.

C. 1. What part has protection played in the industrialization of America? 2. What forces were behind the Morrill tariff act? What impress has it left upon our tariff policy? 3. Account for the dominance of the idea of protection in the last part of the nineteenth century. 4. State as accurately as you can the current tariff problem.

D. 1. "During the Civil War the adoption of a comprehensive system of internal revenue taxation forced the adoption of very high import duties." Explain. After the war what changes were made in the system of internal revenue taxation? customs duties? What were the consequences?

2. "The development of American manufacturing upon a large scale was contingent upon either high prices for manufactured goods

or an adequate supply of low-priced labor. Protection offered a fulfilment of the first condition; the open door to immigrants of the second." Which was chosen? Show as fully as you can the complementary nature of the two policies.

3. "Because of a difference in circumstances the identical interests which in England have favored free trade have thrust the policy of protection upon the United States." How can this be?

4. "In the future the struggle over the tariff will be less a matter of sectional issues, less a matter of contrary economic theories, and more a phase of the great struggle between democracy and privilege" (Brown). What does the author mean? Do you agree?

5. "For some time it has been evident that the future of American industry lies overseas. The European war has at last demonstrated that fact beyond peradventure." If so, what changes in attitude toward conflicting theories of the tariff may we expect from different industrial groups? What effects may we expect this to have on our tariff policy?

42. The Argument from Experience

A. A historical approach to the current tariff problem involves of necessity a study of the "argument from experience." In addition to the light which it throws upon the present situation, such a study has the added advantage of revealing the very large number of inter-related antecedents in terms of which a "result" is to be explained. It is thus, incidentally, an object-lesson in economic causation.

C. 1. Analogous arguments show that prosperity is due to protection and to free trade. Explain the mystery. 2. Is American prosperity due to national protection or to free trade between the states? 3. What logical method underlies the "arguments from experience"? Is it valid?

D. 1. "With protection has come prosperity; protection is, therefore, the cause of prosperity." "With an increase in the number of suicides has come increased prosperity; suicides are, therefore, the cause of prosperity." Which argument is the more valid?

2. "America has been endowed with such rich stores of natural resources that not even the protective tariff could prevent unbounded prosperity." Is this argument usually advanced? Why not? Is it more or less valid than that in the first quotation in the preceding question?

3. "Free-trade tariffs in America have inevitably been followed by depressions." What historical instances are usually cited in support of this argument? Were the tariffs to which depressions were attributed free-trade tariffs? Is the chronology of legislation

and depression correctly stated? What historical evidence is rejected in reaching the above conclusion?

4. Present a valid argument leading to the conclusion that protection has played an important part in the creation of our "highly pecuniary, industrial, and urban culture."

5. "With complementary factors, protection has induced a gigantic, clumsy, and feverish development of manufacturing and mining; it has induced the inevitable attendants of this growth, urban life, city comforts, slums, poverty, vice; greater concentration of wealth, and class differences; a medley of races and a babel of tongues; a clash of political and ethical systems; an impotence to direct social development; and an overutilization of natural resources." Has protection caused development to proceed at too fast or too slow a pace? Has it imposed a disproportionate share of the costs upon the present or upon future generations? Have its results been worth their cost?

43. The Impracticable Nature of Protection

A. To become real the theory of free trade or of protection must be embodied in tariff schedules by Congress. Too frequently it is forgotten that Congress is not an accurate mechanism for translating policy into law. Hence the viewpoint, interests, and methods of the legislative body in themselves impart to tariff legislation many of its most salient characteristics.

B. 137, 140, 144, 147.

C. 1. What technical knowledge is necessary to an understanding of tariff schedules? 2. The very nature of a tariff bill suggests that legislation is subject to what abuses? 3. How is the evidence upon which a tariff bill is based collected and digested? 4. What impress is bicameral, committee, and conference action likely to leave upon a tariff bill? 5. Upon what logical principle are the conflicting interests of various sections and industries reconciled? 6. Mention characteristic tricks of tariff-making. 7. Why was the selection upon "Tariff for Politics Only" included in the readings? 8. In view of the habit of tariff tinkering by Congress, can protection work in practice?

D. 1. Trace, step by step, the course of a tariff bill, from the time it is drawn up by a committee of the lower House until it receives the President's signature. To what principles will a bill drawn in this particular way conform?

2. Cite concrete evidence from the Underwood-Simmons bill supporting the conclusion that Congress is incapacitated to formulate tariff legislation.

3. "The tariff is a local issue." How can this be?

4. "The popularity of protection is largely due to the opportunity which it gives for a display of the spirit of individual acquisition." "The protective tariff tends to the dominance of the entrepreneur viewpoint in politics." Explain the two statements. Are they connected?

5. "Protection is all right in theory, but it will not work in practice." Prove this proposition.

44. The Scientific Revision of the Tariff

A. Our present tariff system aims consistently neither at protection nor at revenue. Nor, for the immediate future, is either objective likely to disappear completely. However, protection is likely to become less prominent, owing to the demand for markets "overseas," accentuated by the new, but dimly perceived, industrial conditions produced by the European conflict. It is more than possible, too, that the persistent demand for taking the tariff "out of politics" will find at least partial realization.

B. 158, 159.

C. 1. How does a discussion of the tariff happen to involve a discussion of labor costs? 2. What influence is a tariff based on difference in "costs" likely to have upon the development of foreign trade? of domestic trade? 3. Can costs be determined accurately enough to serve as a basis for duties? 4. What advantages and disadvantages has a "tariff board" over Congress for tariff legislation?

D. 1. "To accept differences in costs of production as a basis for tariff legislation is definitely to accept a policy of protection." Why so?

2. "If the principle of differences in costs as a basis for duties is consistently carried out, it must have for its objective national self-sufficiency." Why?

3. Can one who favors basing tariff duties on differences in costs of production consistently vote for an appropriation for building an interoceanic canal, the object of which is to lower transportation charges?

4. What is the importance of making a distinction between the rate of wages per day and the labor cost per unit of product? Mention other details of accounting which need consideration in any intelligent discussion of a tariff based upon "costs."

5. "No true protectionist can favor a 'scientific' tariff. To place the protected manufacturer in a position in which he can make no more than in an unprotected industry neutralizes the advantages to be obtained from protection." Develop this argument in the light of "the case for protection." Is it valid?

VII. THE PROBLEM OF RAILWAY REGULATION

45. The Fundamental Factors in the Problem

A. For many years past the American people have been constantly confronted with the problem of railway regulation. The persistence of the problem has been equaled only by its changing and ever bewildering appearance. Each attempt to dispose of it seems only to have led to complications. In its development—for development it has had, rather than solution—the dominant theory of the relation of the state to industry has been of little importance. Its history has been very largely determined by the economic characteristics of the railway industry. With these, therefore, it is best to begin our study.

C. 1. What functions are performed by the transportation system in the organization of industrial society? 2. Is the magnitude of American railway interests a matter that is germane to a consideration of the problem of railway regulation? 3. What is the economic importance of “the dual nature” of the railway corporation? 4. What problems are associated with the monopolistic character of the industry? 5. What problems grow out of “joint costs” and “diminishing costs”? 6. Why cannot competition be depended upon to preserve a proper balance between the interests of the corporation and those of the public?

D. 1. “It has been through the application of the machine process to transportation that society has been organized upon a pecuniary basis into a single comprehensive entity.” Write a short historical sketch showing the part that transportation has played in the creation of the present economic order.

2. “A stable organization of society upon a pecuniary basis requires stability and cheapness in transportation charges.” Can this prime essential to economic order be secured under competition? Why is it an essential?

3. Show by a hypothetical calculation which approximates the real facts how a 10 per cent increase in traffic may increase the profits of a railway corporation 200 per cent or more.

4. Why should you expect the problem of “*laissez-faire* versus social control in America” to manifest itself first of all in connection with the transportation problem?

5. “Because the railway business is subject to the two economic principles of ‘diminishing costs’ and ‘joint costs’ it is necessarily a

monopoly." Show how, from this, there arise, inevitably, the problems of protecting the public against the railroads and the railroads against the public.

46. Discriminatory Practices of the Railroads

A. In the economic characteristics of the railway industry just studied, discriminations have their chief source. Their presence constitutes the first clearly defined railway problem. Its importance lies, not so much in the effects of discriminations upon the railroads, as in their tendency to abridge opportunity and to create monopoly in the general industrial field, thus interfering with the competitive organization of society upon a pecuniary basis.

B. 209-12.

C. 1. How does the very nature of the railroad industry force the traffic manager to secure additional business by rate concessions? 2. Enumerate and illustrate the early forms of discrimination; the later forms. Account for the differences. 3. How can discriminations affect the economic interests of corporations? of regions? 4. Wherein do discriminations present an economic problem? 5. How can discrimination in all its forms be extirpated?

D. 1. If the traffic of a railroad moves largely in a single direction, is the railroad justified in offering to carry freight in the opposite direction at a lower rate?

2. "It is often quite profitable to charge a favored shipper a rate less than one which, if universally applied, would cause the railroad to carry on its business at a loss." How can this be?

3. "Discriminations find their exclusive source in the economic characteristics of the railway industry." "Because of the possibility of easily acquiring and disposing of shares of stock, either in railway or industrial concerns, of owning interests in companies selling supplies to or shipping over the railroad, and of speculating in real estate, railway officials are under the strongest pressure to grant rebates." Which theory of discriminations is true?

4. "Railway discriminations prevent competition from playing its part in organizing industrial society. They result in encroachments upon the interests of the non-favored shipper and of the public." Explain in detail.

5. "Under a system of non-interference by the government, the railroads are at the mercy of large shippers. Government regulation is necessary to put them in a position to stop giving discriminations." How can this be?

6. Just what range of powers must the government assume, if it is to stop discrimination in all its forms? If the problem is thus

solved, will that be the end of the matter, or will the very solution have left a new railway problem in place of the old?

47. The Nature and Extent of Regulation

A. It is interesting to trace how, in an attempt to reach the manageable elements in the railway industry, the administrative powers of the government have little by little been increased. It is interesting to note that with each increase in powers, the ultimate factors have escaped, calling for a new increase. Thus the problem of railway regulation has constantly reappeared in new forms and with increased complexity.

B. 60-63.

C. 1. How many of the complaints made against the railway system in 1886, are valid today? 2. What particular problems led to the granting of the powers to the Interstate Commerce Commission whose provisions are separately enumerated in the readings? 3. What particular powers were conferred in each of these grants? 4. Is the record of the extension of governmental authority over the railroads complete?

D. 1. Is the problem of the regulation of the railroads in any way complicated by the "division of sovereignty" between the federal and the state governments?

2. Enumerate the aspects of regulation which you regard as infringements of the principle of freedom of contract. How are such infringements to be explained?

3. By concrete examples show how unregulated railway rates may be made to absorb a surplus yielded by a protective duty; to yield a protection not afforded by the tariff; to neutralize the effect of a protective duty.

4. "Roughly speaking, the history of the relation of the government to the railroads can be divided into a period of favors antedating 1870 and a period of restriction following that date." Why did the change in attitude come at that time?

5. Explain how it came about that the Interstate Commerce Commission was given power to prescribe and supervise the accounting systems of the railroads. Of what significance is this grant of power in the development of the railway problem?

6. Write a short essay showing, step by step, the occasions and the results of the extension of the power of the government over the railways. What title is most appropriate to such an essay?

48. Aspects of Rate-Making

A. The question of rates is the epitome of all railway problems. The interests of competing shippers are involved in particular rates. The interests of shippers as a group and of the public, on one hand, and the railroads, on the other, converge upon the schedule of rates as a whole. The former is an aspect of the problem of industrial opportunity and the competitive organization of society. The second involves the problem of the railway as a monopoly. The importance of these problems necessitates a consideration of the theory of rate-making.

B. 207, 208.

C. 1. Why do all railway problems converge in the question of rate-making? 2. Of what economic importance is the complicated technique of rate-making? 3. What part has competition in the making of particular rates? of schedules as a whole? 4. What is the correct theory of the particular rate? of the schedule as a whole? 5. Make a careful appraisal of the rate theory of the Interstate Commerce Commission.

D. 1. Can the problem of the proper regulation of schedules of rates, as distinct from particular rates, be adequately dealt with so long as authority over rates is divided between the federal and the state governments? so long as the groups of railroads over which as units shipments are carried remain independent corporations?

2. Is the principle of "charging what the traffic will bear" adequate for particular rates? for schedules? Is the principle of costs adequate for particular rates? for schedules?

3. "The schedule of rates should be drawn in such a way as to result in such goods being carried, in such quantities, and for such distances as will yield the maximum of social utility." Explain in detail how, on this principle, a schedule of rates is to be established?

4. Quite recently the Interstate Commerce Commission has been called upon to pass upon increases in whole schedules of rates. Compare the problem involved in such a decision with that presented in passing upon individual rates. By allowing general increases what principles is the Commission establishing?

5. Show, by a short historical account, how the problem of determining the general schedule of rates involves the problem of railroad valuation.

49. Valuation of the Railroads

A. It is an established principle that in prescribing rates a fair return must be allowed on the investment. The question of rate-making, particularly of whole schedules, involves, therefore, an

inquiry into the proper valuation of railroads for rate-making purposes.

C. 1. What sequence of events has led to the grant of power to evaluate the railroads of the country? 2. Compare the respective merits of "market value" and "physical value" as the basis of rates. 3. Why may we regard "franchise value" and "land value" as the real points at issue in the valuation of the railroads? 4. By what theory shall the value of railway land be determined? 5. Why does the valuation of railway property necessarily begin with the formulation of a theory? 6. Formulate an adequate theory for railway valuation.

D. 1. Railway property can be valued for purposes of investment, taxation, or rate-making. Should the procedure be the same in the three cases?

2. "The theory of physical value is adequate so long as we are dealing with buildings, construction work, and equipment. It is inadequate as a basis for the determination of land and franchise values." Why or why not?

3. "To take market value as a basis of rates is an argument in a circle." Why? Is it arguing in a circle to include in a valuation the land at its value to the railroad?

4. Does the interdependence of the railway systems and their schedules of rates in any way complicate the problem of railway valuation? Is the problem more complicated in character, or merely of greater magnitude than that involved in evaluating municipal utilities?

5. Are the difficulties in valuation merely those of getting the initial values, or will it be exceedingly difficult to keep values up to date? Will a change in the value of money or the rate of interest affect the valuations determined by the Commission?

6. "Two roads, the A.R. & Q., and the K.V. & W., connect two cities. The former runs through a prosperous section, carrying a large amount of local freight. The latter traverses a mountainous region, and is dependent largely upon through traffic. The initial cost and the upkeep of the latter road are much greater than those of the former. The Interstate Commerce Commission is called upon to determine rates between the two cities." Must the rate be the same for the two roads? If its basis is cost on the former road, what will happen to the latter? if cost to the latter, what to the former? In this case who is entitled to the large revenues yielded by the former road? Is it certain that the revenues will be as large as superficially might be expected? What has this case to do with the practical problems of rate-making?

50. Government Ownership of Railroads

A. The question of the government ownership of railroads is not before the American people as an explicit issue. It is, however, implicit in the totality of conditions which characterize the development of the problem. When it comes, it will not be by deliberate volition, but because the path of regulation has led to the inevitable. But, even then, an end of the problem is not likely to be attained; for, under government ownership, new and unusual problems of railway regulation are sure to emerge.

B. 221, 365, 370.

C. 1. Enumerate, in chronological order, the powers given to governmental authorities over railroads. 2. What further grants of power are implicit in the ends which the government is trying to accomplish? 3. Should the management of the railroads oppose government ownership? the holders of railway securities? 4. Compare the advantages and disadvantages of government and private ownership. Are they commensurable? Where lies the balance? 5. If the balance is clearly against government ownership, does that promise an escape? 6. What can be learned from a study of the railway problem about the solution of economic problems in general?

D. 1. "The prevention of discriminations involves allowing the government to supervise service, claims, and purchases." "To allow the roads to raise rates to yield a fair return on the investment, necessitates a supervision of investments by the government." Why? Just how will these extensions of powers bring the question of government ownership to the front?

2. "If regulation fails, the public will demand ownership; if it succeeds, the railroads will demand it." Is this dilemma a true explanation of the situation?

3. "A general theory is being developed to the effect that the government shall guarantee the railroads a fair return on a reasonable investment, and that it shall limit them to a fair return. The realization of this policy demands a manipulation of schedules of rates. In view of highly dynamic industrial conditions, a substitution of general for particular railway securities would greatly simplify the administrative problem." Explain in detail.

4. Draw up a plan by which the United States Railway Corporation, a private concern, acquires the property of the several railroads of the country.

5. Draw up a plan by means of which the United States government may acquire ownership of the railway properties of the country.

6. "Inasmuch as the transition to government ownership involves a substitution of government bonds for railway securities, it will amount in reality to a change in management rather than a change in ownership." Do you agree?

7. Sketch as clearly as you can the peculiar railway problems which are likely to appear under government ownership. Sketch the larger problems into which current railway problems are likely to be merged.

VIII. THE PROBLEM OF CAPITALISTIC MONOPOLY

51. Is Monopoly Inevitable?

A. The railway, which we have just studied, is both a typical and the most conspicuous example of "natural" monopoly. Before addressing ourselves to the far more complicated problem of "capitalistic" monopoly, it is well to try to obtain some idea of the age, the bewildering forms, and the extreme complexity of the monopoly problem. This can be done by raising the question of the inevitability of monopoly.

B. 15, 174, 175, 361.

C. 1. How long has the monopoly problem been with us? Has it always been the same problem? 2. Account for the persistence of the protest against monopoly. 3. List and classify all the forms of monopoly of which you know. 4. Make a clear distinction between monopoly and large-scale production. 5. Is there a real antithesis between the "natural" and the "artificial" explanations of monopoly?

D. 1. "Typical examples of monopoly are corners, rings, patents of monopoly, pools, cartels, trusts, holding companies, 'Gary dinners,' interlocking directorates, 'communities of interest,' 'gentlemen's agreements,' closed shops, and codes of 'professional ethics.'" Explain how each of these in some sense or other may be regarded as a monopoly.

2. Would you classify as monopoly profits the rent of land? royalties from mines? patents? copyrights? the wages of locomotive engineers? the salaries of corporation officials? the honoraria of opera singers? the emoluments of college professors?

3. "The introduction of the machine necessitated large-scale production. Monopoly is merely the final step in this natural process." If the argument is logical, is it clear that monopoly is the final step? Is the distinction between the business and the industrial unit of value in appraising the above argument?

4. "In course of time the principle of economy of operation will cause each industry to be organized as a monopoly; then combinations will be effected between the monopolies controlling the various stages in the production of a good; finally these combinations will be aggregated into one gigantic industrial concern controlling all industries." "Large-scale production is subject to the law of diminishing returns." Show how the principle just quoted can be made to dispose of the argument above.

52. Conditions of Monopolization

A. If we hope to bring monopoly under control and make it play its proper part in industrial development, we must understand its fundamental antecedents. Accordingly an answer to the question raised in the last section calls for a rather detailed study of the "conditions of monopolization."

B. 101, 169, 179.

C. 1. What contributions has the machine technique made to monopoly? 2. Connect industrial development and "the business cycle" with "the failure of competition." 3. Write a chapter on "Incentives to Monopoly," for a book on the trust problem. 4. What artificial incentives have encouraged the formation of monopolies? 5. What are the advantages to competing concerns of forming combinations? 6. What advantages and disadvantages are there to the general public in combination? 7. Is monopoly inevitable?

D. 1. "The institution of capitalistic monopoly is new; its life-history is not as yet fully revealed; our experience is limited; and our view is too close for perspective. Therefore we are ill prepared to pass upon the nature of monopoly." Develop this argument in detail. Do you accept it? Even if you do, does it justify a *laissez-faire* policy relative to monopoly?

2. "The introduction and extension of the machine process and the pecuniary organization of society, which is its necessary complement, are the two principal antecedents of capitalistic monopoly." Explain this argument. Even if true, does it follow that the machine process and the pecuniary organization of society are inseparable from monopoly?

3. "The higher the rate of industrial development, the greater the tendency toward monopoly." Prove or disprove.

4. "Peculiar industrial conditions determine that in one line there shall be monopoly and in another not. Typical of these are inelasticity of demand, loss of identity by an article before it reaches the consumer, production in a stage of increasing returns, the possibility of grading an article to appeal to different social classes, and the localization of the supply of an essential raw material." Explain, by concrete examples, how these conditions have contributed to the maintenance of various monopolies.

5. "The incentive to monopoly is financial. Large profits are made by the promoters of combinations. In addition the combination has a value higher than the aggregate of the values of the separate establishments." Explain each of these incentives. Does this argument contradict those enumerated above?

6. "Monopoly is due to 'artificial conditions.' Among these are 'the concentration of cash,' 'the restriction of credits,' the fickleness and special favors of the tariff, and the clever manipulation of railway rates." Explain how each of these has contributed to the maintenance of monopoly in particular fields. Which of them do you regard as general "causes" of monopoly?

7. "Agreements not to cut prices are necessary to secure the large profits made possible by a generous protective duty." Why?

8. Enumerate and classify the conditions of monopolization. Weight the conditions enumerated according to their importance.

53. The Influence of Monopoly on Price

A. Price is the immediate point of contact between the monopoly and the public. Through price, too, the monopoly produces some of its most important industrial effects, such as the restriction of competition and the concentration of the control of production. It is natural, therefore, that price is the focus of the more immediate and obvious of monopoly problems.

B. 76, 195.

C. 1. Show by a schedule of your own how monopoly price is usually fixed. 2. Is monopoly price necessarily higher than competitive price? 3. Why may we usually expect to find monopoly price somewhat lower than your calculation would indicate? 4. Explain, with concrete examples, "class price." 5. Is monopoly price likely to vary from place to place?

D. 1. "The greater the elasticity of the demand for commodities controlled by monopolies, the lower will be the price that yields the maximum profit." Illustrate by the use of schedules.

2. "Since our means are limited, we cannot satisfy all our wants. The latter, therefore, compete for satisfaction. This causes a competition between the unlike goods which satisfy these wants. Accordingly, even though controlled by monopolies, the prices of goods are always determined under competitive conditions." Defend or attack this argument.

3. Why are goods of domestic production quite frequently sold abroad cheaper than at home? Is monopoly a necessary antecedent to such differences in prices?

4. Should producers be given the power to determine the prices at which retailers may dispose of their goods? What is the practical importance of this problem of "the maintenance of prices"?

5. "The Caesars and Napoleons are no longer found on the tented field, but in the gilded palaces of finance. One week a railroad magnate gives a million dollars to a hospital, and the next the

Interstate Commerce Commission is applied to for permission to raise rates 10 per cent, thus threatening an increased cost of living, bringing with it increased poverty and misery in a million homes." Point out the fallacy.

54. Types of Unfair Competition

A. If unrestrained, industrial, like railway, corporations are prone to resort to "unfair" methods of securing business. These tend to disturb relative competitive advantages, to foster monopoly, and to interfere with the competitive organization of industry upon a pecuniary basis.

B. 74, 169, 177, 180.

C. 1. Classify the types of "unfair" competition mentioned in the readings. 2. Show, by examples, the relation of the nature of the industry to the types of unfair competition used. 3. Enumerate the economic incentives to unfair competition. 4. By what ethical standards are the practices mentioned pronounced "unfair"? Are these standards to be accepted?

D. 1. Make a careful and detailed contrast between the incentives to railway discrimination and to "unfair" industrial competition. Make a similar contrast between the results of the two.

2. "The ultimate objective of unfair methods of competition is monopoly." Explain.

3. "The unfair methods once used by the great corporations were an expression of the contemporary spirit of extreme individualism in business. They were an inevitable complement of the social philosophy of a generation ago." Are such methods a thing of the past? What problems in ethics does this quotation raise?

4. "The competition of industrial establishments, of which 'unfair' practices are but a superficial manifestation, vindicates itself in concentrating the industrial property of the country in the hands of those best fitted to manage it. It has the incidental advantage of encouraging the formation of large aggregates of new capital." Give the argument leading up to each of these conclusions. Are they valid?

5. "The theory of the state has been that industrial justice to the conflicting interests of producers and consumers, as well as to rival producers and rival consumers, inheres in a scheme of prices established under competition. The presence of monopoly, therefore, interferes with distributive industrial justice." Explain in detail this "legal presumption." Show the seriousness of the ethical and legal problems which follow the imperfect action of competition as an organizing force.

55. The Government and Monopoly

A. To suppress or control monopoly, we have, of course, placed our primary reliance in the government. The history of its attempts is marked by two principal characteristics: first, a policy aiming at the restoration of competition and a determination of its plane; secondly, the reappearance of the problem in new guise after each attempt at solution.

B. 181-85, 195.

C. 1. Show, by examples, the value which a change in the form of business combination has in eluding the law. 2. Is this process of change of form at an end? 3. What was the intent of the Sherman act? 4. Is the theory underlying it sound? 5. Enumerate its most important provisions. 6. Appraise the efficacy of its mechanism in the light of the dissolution of the Standard Oil Company. 7. What was the occasion for the Trade Commission and Clayton acts? 8. Will their enforcement provide a satisfactory solution of the trust problem?

D. 1. "The contest between law and combination, manifested in changing forms of organization, has resulted in a reduction of the problem of monopoly to its lowest terms, and a clear statement of the issue involved." State the issue as clearly as you can.

2. "The history of trust legislation represents an attempt to restore competition and to regulate its plane." Which object is dominant in the Sherman act? the Trade Commission act? the Clayton act?

3. Defend or attack the justice of the "threefold damage" clause of the Sherman act.

4. Write an argument defending or attacking the Supreme Court for writing the word "reasonable" into the Sherman act.

5. Present, as clearly as you can, the issues involved in the antithetical proposals of the regulation of monopoly and the regulation of competition.

56. The Social Problem of Monopoly

A. The monopoly problem has usually been considered only in its more immediate aspects. As a result there has been no satisfactory accounting of the relative values and costs of monopoly and competition. Equally striking is a failure to take account alike of the more ultimate results to which the antithetical policies may lead and a disregard of the larger social and non-pecuniary elements involved in the problem.

B. 74, 105, 195, 253, 364.

C. 1. What are the costs and values of competition? 2. What are the costs of regulated monopoly? What are its social values? 3. What tendencies would competition and monopoly severally impart to the development of industrial society? What is the ultimate end toward which each aims? 4. Outline a just and adequate trust policy.

D. 1. "A policy of regulated monopoly may be expected eventually to lessen the rhythm of business activity." Support or attack.

2. "Monopoly removes the incentive to initiative, displayed alike in personal efficiency, improved organization, and advance in technique." "Monopoly, by insuring economic security, will cause the instinct of workmanship to take the place now occupied by the spirit of individual acquisition." Where lies the truth?

3. "Even if it be true that in certain lines of production the tendency toward concentration is too strong to be checked, nevertheless it would be unsafe for the government to lay down any policy other than that of restoring competition and determining its plane." Why or why not?

4. Explain the result that monopoly is likely to have upon the stratification of society, the concentration of wealth, the distribution of industrial opportunity, the relative size of incomes, the nature of educational advance, the realization of political democracy, the nature of social development. What have these, and kindred questions, to do with the monopoly problem?

5. "The matter at issue is a question, less of the relative 'economy' of monopoly and competition than of the kind of economic organization best calculated to give us the kind of society we want" (Young). Explain fully. Show the connection of this with other problems which we have discussed or are going to discuss. Can the monopoly problem be solved in isolation, or must it be considered as a part of a social program?

IX. THE PROBLEMS OF POPULATION

57. The Question of Numbers

A. Quite different in character, yet intimately associated with the problems of economic organization just considered, are those which have to do with the welfare of the classes which make up the "economic order." Of these the most obvious and the most fundamental is the problem of population. It is well to begin our study of this subject with the "problem of quantity" stated in its simplest terms.

C. 1. With what other economic and social problems is the question of population directly and indirectly concerned? 2. Show the fundamental dependence of general and class welfare upon the ratio of population to resources. 3. Account for the early appraisals of population given in the readings. 4. Explain the changing value placed upon a large population in America.

D. 1. Which of the following can be explained in terms of the ratio of population to economic resources: the exodus from Eden? the attempt of the Helvetians to move out of their boundaries into the Roman province? the invasion of England by the Angles, Jutes, and Saxons? the practice of infanticide among certain primitive peoples? the survival of polyandry in Thibet?

2. "Some of the most important crises in social development have been associated with a sudden change in the ratio of population to resources. Among these may be mentioned the Black Death, which reduced population; the economic discovery of America, which increased resources; and the Industrial Revolution, which through a superior technique practically increased resources." Explain the significance of each of these changes.

3. Give a rational explanation of the high value set upon a large population by the writers of the Old Testament. Is there any confirmation of this explanation in recent events in Europe?

4. "Children may be to their parents either assets or liabilities." On this basis explain the changing American attitude toward a large population.

5. "Children are the property of the poor." Does this explain the attitude of the industrial class toward the size of the family. How are the attitudes of the leisure, business, and professional classes to be explained?

6. The law of population and the law of diminishing returns have together given to economics the title of "the dismal science." Why?

58. The Malthusian Theory

A. The quantitative theory of population is inseparably associated with the name of Malthus. A clear understanding of it necessitates attention to its original statement, its criticism, its development, and its presence in current economic problems.

B. 36, 45, 233, 375.

C. 1. Is there any essential connection between the social crisis of his day and Malthus' theory of population? 2. State and criticize the theory of population as stated by Malthus. 3. Has the rate at which population increases anything to do with the validity of the principle? 4. Distinguish between the teachings of Malthus, the Malthusians, and the neo-Malthusians. 5. In what proposal does neo-Malthusianism find its most conspicuous current expression? 6. What current arguments associate Malthusianism with capitalism?

D. 1. "In the animal world the usual condition is an equilibrium between numbers and food-supply." "Human history has been marked by a succession of planes, on each of which there was for a time a tendency toward an equilibrium between population and economic resources." Explain each statement. Why is the expression "a succession of planes" used in the second?

2. According to the most reliable evidence, the population of England at various dates has been as follows: 1086, 2,000,000; 1348, 4,000,000; 1377, 2,000,000; 1700, 5,500,000; 1750, 6,467,000; 1770, 7,428,000; 1790, 8,675,000; 1811, 10,164,000; 1861, 20,066,000; 1891, 29,900,000; 1901, 32,527,000; and 1911, 34,045,000. Explain the changes in population indicated by these figures. Account for the rapid increase in population in modern England.

3. Compare the work of Malthus with that of Darwin in method, in conclusions, in attitude toward social reform, and in influence upon social reform. Which, if either, is animated the more by the spirit of *laissez-faire*?

4. "Each mouth that is brought into the world brings two hands with which to fill it." Does this annihilate the Malthusian theory?

5. "During the nineteenth century population increased at an unprecedented rate. Yet, at its close, the standard of living was higher than ever before." Does this prove the non-operation of the law during this century?

6. "The standard of living is the result, not of one, but of many, causally independent factors. Among these are the quantity of natural resources, the changes in the volume of capital, the develop-

ment of technology, and the changes in population. These cannot be reduced to a single economic formula. It is accordingly best to regard the law of population simply as the tendency of numbers to increase." Justify this statement of the law.

7. "Since man is a rational being, the very statement of the Malthusian theory was one cause of the defeat of its own prophecies." State the newer "volitional" theory of population (Hobhouse).

8. "If population is not uniformly checked by all classes, it is necessary that we have a stratified society, based on property and inheritance. That alone will save the privileged classes from the penury and woe which, without stratification, would be the lot of all." What validity has this argument? What relevancy has it to the proposition to adopt socialism?

9. "Differences in the rates of increase within the several social classes of a country are more significant than differences in the rates of increase in different countries." What social problems does the former affect? the latter?

59. The Coming of the Immigrant

A. At present the question of the quantitative control of population appears in two problems, that of "birth-control" and that of immigration. The former is largely a matter of voluntary social conventions, the latter of governmental action. Each can be made a reflection of the social judgment as to the quantity of population. The issue, however, in connection with the former is likely to be lost in considerations of individual welfare; and in the case of the latter to be confused by the introduction of ethnic, religious, political, and cultural questions.

B. 39, 57.

C. 1. What significance does the fall in the native birth-rate give to the problem of immigration? 2. What is your reaction to the account of the "immigrant invasion"? 3. What importance attaches to the rate of immigration? 4. Of what value are the American appraisals of immigration? 5. State the quantitative problem of population as implicit in the immigration problem.

D. 1. To the proposal to equalize property as a means of abolishing poverty Aristotle interposed the objection that it would prove unworkable unless the state exercised a control over the growth in numbers. What must have been his line of argument? What relevancy has it to current problems?

2. "Population should increase more slowly than natural resources and technical advance if progress is to be made." Apply this to the immigration question.

3. "The principal incentive to migration is differences in wages and standards of living." Why has immigration from Northern Europe to the United States practically ceased? Why do our immigrants come so largely from Southern Europe? May we expect such immigration to cease in course of time? Explain.

4. "Presently the world will be cut up with immigration barriers which will never be leveled until the intelligent accommodation of numbers to resources has practically equalized population pressure all over the globe" (Ross). Is this prediction likely to be realized in the immediate future?

5. "One needs but compare population pressure in various countries today to realize that the real enemy of the dove of peace is not the eagle of pride or the vulture of greed but the stork" (Ross). Argue for or against population pressure as the primary incentive to war.

6. "Social policy demands an increase in population; the interests of native Americans is best served through race suicide. The necessary result of this antithesis is a peopling of America with foreign stocks." How is the antithesis to be solved otherwise? Is it a real antithesis?

60. Immigration and Industrial Development

A. The increase in the number of laborers through immigration has been one of the complementary conditions which together have produced our highly pecuniary, industrial, and urban culture. This culture, in its manifold aspects, would have been impossible but for immigration.

B. 61, 161, Introduction to VI, 255.

C. 1. Enumerate and appraise our industrial debts to the immigrant. 2. In our industrial development why may protection and the open door to the immigrant be looked upon as complementary forces? 3. Enumerate other factors which have contributed to the result. 4. Can responsibility be quantitatively apportioned among these factors? 5. On the whole has immigration contributed a net value or a net cost to American culture?

D. 1. "The protective tariff creates a demand for certain kinds of labor at the same time that it destroys the demand for certain kinds of foreign goods" (Hall). Do you know of a concrete case where it has furnished this incentive to immigration?

2. "The nature of our expanding industrial system, especially the use of machinery, has determined to a large extent the character of the immigrants whom we have received." Explain, citing concrete evidence.

3. "‘Birds of passage’ perform the highly important function of adjusting our labor supply to our labor needs." Is this sound?

4. "Immigration has brought us a body of adult laborers. Thus the expenses of the years of dependence have been borne by foreign countries. We receive the net benefits." Do you agree?

5. "Immigration has contributed greatly to our prosperity by supplying us with a multitude of goods at very cheap prices." Explain.

6. Answer for immigration the questions asked about protection in problem 5 in section 42, above.

7. "Immigration has encouraged a dense population congested in cities and crowded in factories and mines. But is it certain that it is a more ideal social aggregation than a community of prosperous farmers?" (Fetter).

61. Immigration and Labor Conditions

A. The fact of immigration is written large in every aspect of our industrial society. The problem of immigration bears directly or indirectly upon all our social problems. Yet its most immediate and direct connection is with the working conditions, wages, and standards of life of our industrial laborers.

B. 27, 255, 273.

C. 1. Is immigration the cause of the disappearance of the ideal living conditions enumerated by Dickens? 2. Make a careful study and write a criticism of the logic underlying the conclusions in 235 and 236. 3. Has immigration forced the native worker up, down, or out? 4. Show, quite explicitly, how immigration has affected some four or five industrial conditions. 5. If the door be kept open to immigrants, can unionism thrive? 6. Has the immigrant been to the native laborer a help, a goad, or a menace?

D. 1. "Immigrants, being mobile and migratory, aid in adjusting the supply of labor to the actual demand, thus lessening the rhythm of business activity." "The immigrant invasion has caused a larger and larger part of the labor force of the country to be invested in the production of goods, the demand for which is precarious, thus accentuating the rhythm of business activity." Where lies the truth?

2. "Immigrants settle in the cities, thus disturbing the balance between urban and rural industry. Maldistribution of labor, rather than immigration, is responsible for low wages, unemployment, and the extreme rhythm in business activity." Do you agree?

3. "Like machinery, the immigrants have relieved native laborers of heavy and disagreeable toil, and have elevated them to an aristocracy of labor." Is the analogy correct?

4. "Immigration has not increased the American population. It has merely resulted in a substitution of alien for native stock." Has immigration increased the total population? Has it lowered the native birth-rate?

5. "A careful statistical study of immigration and wages in the last few years shows that immigration has raised wages." "Because of their lower living standards immigrants will accept wages far lower than natives. Thus immigration lowers wages." Show the incorrectness of both of these arguments.

6. "So long as a cheap and seemingly limitless labor market lies open, it is impossible to standardize working and living conditions." Why or why not?

7. "Let the foreigners come in! No American laborer need fear the competition of a laborer from any part of the world. In any line of work the American is a match for a man of any other nation." Admitting the truth of the last statement, may it still be to the laborer's advantage to exclude the foreigner?

62. The Further Restriction of Immigration

A. Inevitably we come to the question of "what are we going to do about" immigration. As we have found, the quantitative and the qualitative aspects of the question are inseparable. It is well, however, to consider first proposals of an immediate nature, which grow primarily out of the quantitative aspects of the problem.

B. 231, 280.

C. 1. In what respect does immigration present a problem because of numbers? standards of living? thrift? 2. Why do most of the proposals for restriction take a qualitative form? 3. State the "pro and con" of the literacy test? 4. Name a simple test, easily administered, which would better meet the requirement of quantitative restriction? 5. Show concretely what is involved in an immigration program.

D. 1. "Employers favor immigration for the reason that they favor large families among the poor. They favor immigration for the reason that foxes favor large families among rabbits." Is this fair? Is it adequate?

2. Can you reconcile a "tariff for the protection of American labor" with an open door to immigrants? Why do those who favor the first policy favor the second?

3. "Whether, for quantitative reasons immigration should or should not be restricted, depends upon whether the country considered as a whole is in a stage of increasing or diminishing returns." Complete the argument. Is it as simple as this?

4. Discuss the merits and defects of the plan to restrict immigration by imposing a high per capita tax upon the immigrant.

5. "If a blanket tax of \$100 was imposed upon each immigrant with the privilege accorded him of going to any place in the country at government expense, the maldistribution of labor would be righted and the immigration problem would disappear." Are you so sure of it?

6. "One of our most distinguished citizens has again been taking the country to task for race suicide. Admitting his contention that our families should be larger, it is likely that a prohibition of immigration would achieve the end he has in view." Trace the steps by which the author of the above quotation probably arrived at his conclusion.

7. "Wages might be raised permanently by forcing American employers of foreign laborers to pay them a minimum wage of three dollars per day during their first ten years in this country. This would amount virtually to a protective tariff upon American labor." Discuss.

63. Immigration and Our Future

A. The qualitative problem of immigration, inseparably associated with that which we have just studied, contains implicitly all the problems of our social order. Properly to approach it we must determine the kind of a society we wish to produce and the possible contributions which alien stocks can make to that culture. Then we must formulate a program which will secure immigrants from proper stocks and in proper proportions and will give them the training necessary to enable them to make these contributions. Thus the immigration problem loses its identity in that of the conscious control of social development.

B. Introduction to III, 54, 55.

C. 1. State the economic problems demanding an "immigration program." 2. Can the economic problems of immigration be considered in isolation? 3. Has the "transitional quality" given to our social order by the immigrant been for the better or the worse? 4. What is the proper place for the immigrant in the American culture of the future?

D. 1. "The question at issue is not the personal or racial characteristics of the immigrants. These are immaterial. Personally, I care not if they come from heaven possessed of the divine attributes of angels. There are too many of them." Is this argument apropos of the issue?

2. "Since the immigrants are eventually to constitute an industrial proletariat, unrestricted immigration encourages the concentration of wealth and the stratification of society on a pecuniary

basis." "If cheap labor lowers the cost of production, in obedience to the laws of value price falls. Thus the benefits go to the consumer. Immigration, therefore, can encourage neither the concentration of wealth nor the stratification of society on a pecuniary basis." Which argument is sound?

3. *Life* once published a photogravure of a frieze supposed to have been discovered in the ruins of New York City in the thirtieth century. It represented an American Indian denied a place in the sun by a Dutch trader; the Dutchman removed in the same way by an Englishman; the Englishman by a Yankee; the Yankee by an Irishman; and the Irishman by a Hebrew. At this point the frieze broke off abruptly. Is this a true statement of the law of racial survival?

4. "Because all property eventually comes to market and is knocked down to the highest bidder, and because disregard of conventional standards of expenditure makes a capitalist out of the immigrant, the economic race is always to the newcomer." What evidence have you of the displacement of "native American" property owners by aliens? Just what part is this "law" likely to play in determining the future of the immigrant in America?

5. "The immigrant must remain a permanent proletarian, for he is coming too fast to be Americanized by our machinery for assimilation." Does this statement come nearer giving a picture of the immigrant's future than that above?

6. "Let the immigration problem alone. In God's good time it will settle itself." Show that this is true. How will it settle itself?

7. "Immigration has induced a development of society at a faster rate than we could control it. It is responsible for the acute form which many of our social problems take." Give concrete evidence supporting this statement. Will a solution of the immigration problem render others less acute?

8. "The real problem in immigration is that of the kind of society we want America to be." Explain.

9. In view of both its short-time and its long-time aspects, formulate an adequate immigration program.

64. The Quality of Population

A. The problem of eugenics involves the same baffling questions as that which we have just studied. We may say quite positively that certain classes should be inhibited from reproduction. To say what classes and types should reproduce, and in what proportions to each other, involves the formulation of a comprehensive and adequate social philosophy.

B. 37, 39, 248.

C. 1. Of what importance is it to society to control the birth-rates of its several classes? 2. Is reform through eugenics antithetical to reform through changes in social environment? through education? 3. Can the biologist produce a social utopia? 4. What effect will immigration have upon the quality of our population? 5. Show that the problems of eugenics are social rather than merely biological.

D. 1. Enumerate the classes or types which unquestionably should not be allowed to reproduce; the classes or types about which there is question. Would you include those afflicted with tuberculosis in the first class?

2. "Eugenics is a pseudo-reform urged by conservatives, who are opposed to institutional and environmental changes, as a means of countering the attack of radicalism." Is reform to be effected by changing the "environment" or improving the "population"? How long have different reformers advocated these different measures? Is the charge above true?

3. At present we have many social conventions and inhibitions prescribing the conditions of marriage in the upper and middle classes in society. We are beginning to have such conventions relative to the number of children. Enumerate these conventions and show how through them society is exercising much control over its population. Can similar conventions be established among the industrial workers?

4. "The problem of positive eugenics turns upon the question, For what are we breeding? That, in turn, is based upon the question, What kind of a society are we trying to develop?" Explain.

5. "However smiling the gardens of Daphne, they had always to slope down into the huge malodorous quagmire of wretchedness" (Ross). Is inability to control population the serpent that will forever exclude us from a social Eden?

X. THE PROBLEMS OF ECONOMIC INSECURITY

65. Insecurity under Modern Industrialism

A. A second problem which has to do primarily with the welfare of the classes which make up society is that of economic insecurity. Security in an economic sense there has never been, but the problem of modern security is infinitely complicated by the manifold aspects of the pecuniary organization of society in which it has its being.

B. 3, 12, 25, 97.

C. 1. Compare the manorial with the modern industrial system in respect to economic security. 2. To what extent is insecurity due to competition? to the perfection and extension of the machine system? 3. What are the principal manifestations of modern insecurity. 4. Is it likely that the problem can be solved through an extensive insurance program?

D. 1. "Mediaeval insecurity had its source in local disasters, such as floods, droughts, and raids. The organization of society on a personal basis caused the resulting suffering to be shared by the whole group rather than to be confined to particular classes or individuals." In harmony with this statement, contrast mediaeval and modern economic security. In what respects is the foregoing statement inaccurate?

2. "The machine system, production on a large scale, pecuniary competition, dependence on distant and future markets, the interlocking scheme of prices, the violent rhythm of the economic cycle, and the onward rush of the industrial system into an unknown future prevent one from knowing what is in store on the economic morrow." Connect each of the characteristics of the industrial system mentioned with the problems of economic insecurity.

3. "Because of the delicate pecuniary organization of society the consequences of a failure of the industrial machine at one point are dissipated through the whole of the economic order. Thus the burdens of economic insecurity are much smaller than they would be under a non-pecuniary organization." Develop this argument. Can you support it?

4. "Under our system economic insecurity is the lot of capital as well as of labor." Explain.

5. "Industrial insurance is no solution of the problems of economic insecurity. It substitutes for an analysis of those problems an

accurate accounting of industrial risks; for an attempt at solution an endeavor to distribute the risks with the minimum of burden." Explain fully. Do you agree?

66. Unemployment

A. The most conspicuous manifestation of economic insecurity is unemployment. The name is used to denote, not a single problem, but a number of problems unlike in all respects except that they deal with classes or types of labor "out of jobs." To deal intelligently with the problem an analysis of the various types must be made, the fundamental sources of each must be discovered, and means must be found for controlling these. In its entirety the problem involves many other economic problems and calls for an elaborate and long-time program.

B. 3, 67, 101, 370.

C. 1. By amending Beveridge's list draw up a classification of the types of unemployment. 2. Determine the fundamental conditions underlying each type. 3. Unemployment of what types may be lessened by the establishment of labor exchanges? by the "cyclical distribution" of government orders? 4. The evils incident to what types of unemployment can be minimized by insurance? 5. Show the obstacles in the way of the application of insurance to unemployment. Are they real or apparent?

D. 1. "Under the manorial system both serf and lord had rights in the serf's labor, and both lord and serf had rights in the lord's land. Under the modern system all rights in labor have been concentrated in the laborer and all private rights in property in its owner. This change in property rights and the consequent necessity of bringing labor and property together through contract have much to do with the nature of modern unemployment." Explain in detail.

2. "Some unemployment is due to the friction incident to the imperfect organization of society upon a pecuniary basis." What labor markets are not highly organized? What is the most obvious way of dealing with the type of unemployment suggested here?

3. "The determination of values under competitive conditions may be depended upon to protect the pecuniary interest of those engaged in seasonal occupations." Does it render full protection? Does it solve the larger problem of enabling society to make the best use of its available labor supply?

4. "The volume of business is constantly expanding and contracting. Labor is not flexible enough to make an immediate response to these changes in the volume of trade." Explain in detail. What

labor force, for this country at least, brings about a partial adjustment? With what larger problem is the problem of cyclical unemployment merged?

5. May the problems of unemployment be expected to become less acute if the pecuniary organization of society is perfected? if the rhythm of the trade cycle is lessened? if our tariff policy becomes more stable? if the railroad systems are brought under government ownership? if regulated monopoly displaces competition quite extensively? if the volume of immigration is reduced? if the government prescribes conditions of employment and rates of wages? if collective bargaining becomes universal? if industrial development proceeds at a slower rate? if society adopts socialism? What is your conclusion?

67. Industrial Accident

A. The problem presented in industrial accident reveals, not only an important manifestation of economic insecurity, but inability of a legal system established under a tool régime to deal properly with conditions associated with the machine technique. Its solution involves both a reduction of industrial accident to a minimum and a socially equitable distribution of the costs incident to industrial casualties.

B. 30, 49, 330, 331.

C. 1. What can be done to reduce industrial accident incident to the machine process to a minimum? Who can do it? 2. Can individual responsibility for industrial accident be determined? 3. State and criticize the "theory of negligence" as a means for placing the incidence of work accidents where it belongs. 4. What are the social costs of allowing the incidence of work accidents to rest with injured workmen or their fellow-employees? 5. Make out a case for or against the necessity of employer's liability.

D. 1. "Under the craft system, where tool-methods of production were used, and the employees were few in number, individual responsibility for accidents could be directly imputed, and the theory of negligence worked substantial justice." Defend this statement, making use of two or three hypothetical illustrations.

2. "A wheel of a machine in a factory contains a defective piece of material. Because of this the wheel one day comes off, injuring the workman in charge. The machine has been properly inspected by state officials." Impute individual responsibility for the accident.

3. By citing three or four illustrations of your own, show the impossibility of applying the doctrine of "assumption of risk" under modern conditions.

4. If "employer's liability" is deemed advisable, should the law be made to apply to miners, factory operatives, machinists, locomotive engineers, drug clerks, errand boys, household servants?

5. "Under the competitive system the incidence of work accidents, even if legally assessed, does not fall upon the employer. He adds it to the price of his product and it is paid by the consumer." Explain in detail. Is "employer's liability" merely an insurance scheme?

68. Sickness and Old Age

A. Sickness, incapacity, and old age are incident to all human life; yet, in character, in quantity, and in economic meaning they have been profoundly affected by the machine process. Together they present three clearly defined problems: first, the reduction of "dependence" through "preventive medicine" and the "conservation of human resources"; secondly, economic adjustments to the end of making employment for the partially disabled; and thirdly, the equitable distribution of the incidence of dependence.

B. 56, 57, 359, 360.

C. 1. Give some estimate of the economic cost of sickness; of old-age dependence. 2. Sketch a program which will result in greatly reducing this cost. 3. Should such cost as is left be borne wholly by the individuals affected? 4. Can the British national insurance scheme be used in this country? 5. Is the pension plan the one best adapted to dealing with dependent old age?

D. 1. "Because of its highly specialized nature and its capacity to utilize a myriad of different kinds of services, modern industrialism comes much nearer than any other system to providing remunerative employment for the partially disabled." Illustrate with examples from personal observation. What changes in the industrial system or in the acquired productive powers of individuals can make this provision more ample?

2. What can "preventive medicine" do to decrease the amount of dependence? immigration laws? eugenics? child-labor laws? compulsory education? a broader basis for vocational education? Enumerate other agencies which can be used in the program to minimize the costs of dependence.

3. Provision for sickness and old-age benefits can be made by the state, by the employer, or by the laborer himself. Give the argument for and against each scheme. Draw up a scheme alike practicable and compatible with your social ideals.

4. "Schemes, such as these, involving compensation for industrial accidents, sickness benefits, and old-age pensions, strike at the cardinal principle of our civilization. Self-control, self-reliance, self-provision,

and self-respect lie at the basis of all individual freedom. It is at these things that such socialistic schemes strike." Is the point well taken?

5. "Provision for the destitute through benefits and pensions makes bad matters worse by taking away the incentive to thrift." Do you agree?

69. The Standard of Living

A. Because its upper limit is determined by pecuniary income, which is subject to all the caprice of the market, "the standard of living" is, and must remain, a manifestation of economic insecurity. It has for us the added interest that it is a factor of prime importance in the tariff, immigration, trade-union, and minimum-wage problems.

B. 156, 225, 228, 235, 239, 276, 292.

C. 1. What is the economic importance of the standard of living? 2. Is the evidence of low living-standards indicative of faults in the economic system or of inefficiency on the part of the laborers? 3. Is a "fair living wage" an economic or an ethical concept?

D. 1. On the basis of the prices in your city, determine how a family, consisting of father, mother, and a child of eight, should apportion its income of \$450 a year; \$900 a year; \$3,500 a year. After drawing up the three budgets compare the percentages in each spent for food, rent, clothing, etc. What conclusions do you draw?

2. "Immediately, wages determine the maximum standard of living for the laboring class; ultimately, the standard of living may determine wages." Explain the paradox.

3. "In every family there is a struggle between the standard of living, savings, and unborn children." Explain. Show the economic importance of the alternative solutions of the problem presented in the struggle?

4. Should a "fair living wage" be sufficient to support one, two, four, six, or ten? Should it be able to yield this support if very economically used, if spent with some waste, or if lavishly used? Should it yield the bare necessities of life, certain comforts in addition, or a few luxuries in addition to the comforts? What are necessities? comforts? luxuries? Is a "fair living wage" a scientific concept?

70. The Minimum Wage

A. Various proposals have been made to establish higher living standards by legally raising wages. These proposals are devious, one modestly limiting itself to the sweating industries, another more broadly to "all occupations open to women," a third quite hopefully to "all unskilled labor in general," and a fourth boldly proposing "a

schedule of minimum rates for all occupations employing manual labor." They are alike, however, in proposing, directly or indirectly, the substitution of an "authoritative" for a "competitive" wage. This section can do nothing more than indicate the larger issues involved in these proposals.

B. 74, 180, 195, 221.

C. 1. What economic and social conditions are responsible for minimum wage proposals? 2. Enumerate the proposals, analyze them, and state the issues involved in each. 3. What legal and constitutional difficulties impede minimum-wage legislation? 4. Enumerate and pass judgment upon the validity of the economic arguments urged against these proposals. 5. Draw up a minimum-wage proposal, supplemented, if necessary, by other proposals necessary to make it practicable?

D. 1. "The enactment of a minimum wage for unskilled working women would in all probability lead to one or more of the following results: numerous and varied evasions of the law; substitution of more efficient for less efficient labor; substitution of male for female labor; an increased use of machinery; a rise in the price of goods; and an increase in unemployment." What extension of government authority would be necessary to prevent failure through the devices enumerated?

2. "Quite likely the minimum wage would increase prices of commodities. Since in general unskilled labor consumes the goods which it produces, laborers would, in the end, pay in increased prices what they receive in increased earnings." What is the weakness in this argument?

3. "In connection with the minimum wage the question of 'To whom?' is easily disposed of. The question of 'From whom?' is fully as important, being fraught with grave consequences to society." Mention several sources from which the increase in wages might come. State the probable consequences of taking it from each of these sources.

4. "The increased wages will probably come from the parts of the incomes of capitalists which otherwise would be saved. Thus the proposal, by threatening to decrease capital, threatens still lower competitive wages in the next generation. This tendency is likely to prove cumulative." Do you agree?

5. "Under minimum wage laws, rates of wages will soon become established. Their very inflexibility will be a serious obstacle in the way of the organization of a society as dynamic as ours upon a pecuniary basis." Explain this difficulty in detail. Just how real is it?

6. "The beneficial results of a minimum wage come only in the less immediate future. If it be made to fix an ideal, and if it be

properly supplemented by social conventions and laws designed to decrease the number of laborers, to establish higher living standards among them, and to increase their productive efficiency, it may eventually accomplish all of its objects." Is this long-time chance worth taking? Is it possible that without it the other proposals mentioned might accomplish its objects?

71. Compulsory Arbitration and Wages

A. Compulsory arbitration is best treated as an aspect of the minimum wage; for it involves in all their complexities all the social and economic issues which find expression in the proposal to fix wages authoritatively.

B. 279, 370, 371.

C. 1. What kind of a minimum wage proposal is compulsory arbitration? 2. Is compulsory arbitration the cause of the increase in wages in New Zealand? 3. State the case for and against compulsory arbitration. 4. Could compulsory arbitration be made to work under American conditions?

D. 1. Is it inconsistent to try to maintain wages through compulsory arbitration and to keep the door open to immigrants?

2. "The problem of low wages can be solved through a program consisting of compulsory arbitration and a minimum wage for immigrants." Explain. Do you agree?

3. "For an arbitration board to allow its employees an increase in wages because of the large profits made by an industrial concern amounts to discrimination against similar laborers employed in concerns that are not making large profits." Explain. Do you agree?

4. "The determination of wages by particular establishments is out of harmony with the pecuniary organization of society. The factors which must be taken into consideration in making a decision affecting wages far transcend the evidence which any particular establishment can furnish." Make this argument as clear and as concrete as you can.

5. Draw up a list of all the factors which must be taken into account in passing upon the rate of wages in a given establishment. State quite specifically the criteria by means of which the justice of the rate of wages can be determined.

XI. THE PROBLEMS OF TRADE UNIONISM

• 72. Group and Class Consciousness

A. As the social system, incident to the machine culture, becomes more rigid, the workers see more clearly that they constitute a relatively permanent proletariat. There develops accordingly a feeling of an identity of interests within the class, or the group, and of a conflict of interests between classes or groups. This "class" or "group" consciousness finds its chief expression in attempts, through "trade" or "industrial" unions, to increase the welfare of the class or group. The problems in which "class consciousness" is a factor embrace the whole life and interests of the worker.

B. 25, 54, 132, 254.

C. 1. Account for the slow development of class consciousness in America. 2. In what essential respects are the interests of the "bourgeoisie" and the "proletariat" in opposition? 3. What advantages to the worker inhere in organization? what advantages to society in the organization of workers? 4. Give evidence showing that the consciousness which has developed in America is of the group rather than the class.

D. 1. Fundamentally, are the interests of laborers of the same group identical? the interests of different groups of laborers? the interests of capitalists and laborers?

2. "Codes of medical and legal ethics are but the expression of the pecuniary interests of the groups in question." Discuss, citing examples. Why should a consciousness of the identity of interests of the members of the group have arisen so early in the professions? Why should it have come earlier among groups of skilled than among groups of unskilled laborers?

3. "Under the present economic order the laborer and the capitalist alike gets what he produces." Under the present system does each man produce an individual product? Does he produce a definite part of a joint product? How can you tell what he does produce?

4. "Because of the economic necessity resting upon the owner to protect and conserve the capital which he has invested in his slave, the system of chattel slavery made far better provision for the welfare of the laborer than does that of wage-slavery." Defend or attack this statement.

5. "The desire of the laborer is to make as much as possible out of his life as a whole. Since under the wages system contracts are

for short periods, the employer desires to get as much as possible out of the laborer during the legal term of employment." Does unregulated competition give the employer any alternative? What has the open door to immigrants to do with the matter? Is the antithesis stated above a correct one? If so, in what problems does it find expression?

73. The Viewpoints of Laborer and Capitalist

A. The activities of groups of laborers and capitalists alike spring from judgments. Now judgments are premised, not so much upon real interests, as upon conceptions of interests. Accordingly, to understand aright the programs of industrial groups we must know something of the "viewpoints" of those responsible for them.

B. 27, 52, 62, 251, 323, 324, 355.

C. 1. Is "The Sons of Martha" an accurate expression of the viewpoint of class-conscious labor? 2. Criticize Hoxie's theory of the origin of the viewpoints of the capitalist and the laborer. 3. What distinction do you notice between the two parts into which almost every article of the "economic creed" can be divided? 4. Tabulate in parallel columns the particulars in which the viewpoints of laborers and capitalists differ.

D. 1. "If the theory of the 'types of unionism' is true, there can be no viewpoint common to laborers." Do you agree?

2. "Social life is an extremely complex thing. One belongs, not to a single, but to many, different groups. In America, therefore, there can be no such thing as a group or a class viewpoint." Illustrate for individuals in the middle class. Does the conclusion apply to the proletariat?

3. "Under industrialism our scheme of conventions and inhibitions, legal and social, has as its objective the preservation of the pecuniary interests of them that have." How can laws and social conventions reflect class interests? Defend or attack the statement above.

4. "Christianity preaches self-sacrifice, content, leaving vengeance to God, and patiently waiting for a reckoning in the next world. Thus it is one of the most powerful instruments in the preservation of the capitalist system." Show that there can be nothing in this.

5. "True patriotism demands absolute loyalty to our constitution, our legal system, and our established and tested social arrangements." Why does it? What condemnation should be heaped on the laborer because of his stinted loyalty to American traditions and institutions?

6. Why do employers generally talk in terms of national and social welfare and laborers in terms of group and class welfare?

74. Character and Purposes of Trade Unions

A. Unions there are in infinite variety, serving an indefinite number of immediate purposes. Each, however, is intent upon serving the material interests of the group composing it, and, to a lesser extent, those of organized labor as a body. To accomplish this object each strives to build up a spirit of group solidarity and insists strenuously upon the necessity of group action.

B. 12, 307.

C. 1. From what viewpoint does Eliot pronounce trade unions undemocratic? Are his strictures justified? 2. Does Carnegie leave a place for a very vital trade union? 3. Why does Mitchell rest his case upon the necessity of collective activity? Do you agree with him? 4. What is your reaction to each of the three views here presented?

D. 1. "Individual competition may be depended upon to secure justice to employer and employee alike. Therefore, in a democracy there is no place for a union, which is virtually a monopoly of labor." Develop this argument in detail. What assumptions underlie it? Do you accept its conclusion as a valid statement of social policy?

2. "Unionism represents a vast monopoly of skilled labor which waxes fat at the expense of unskilled labor and the general public." Do you agree?

3. "One of the greatest obstacles to unionism is the chance which the employer has to disassociate the pecuniary interests of union leaders from those of the group which they represent. Judicious promotions and discharges, as well as more sinister methods, may be used to make labor leaders favor the interests of employers." Develop this argument in detail, citing concrete evidence from your own observations. How can unionism guard against this danger?

4. "Under a system of free contract it is hard to establish a spirit of group solidarity so long as the open door to immigrants gives a transitional tendency to all industry." Explain.

5. "The 'hiring and firing system' aims at productive efficiency at the expense of a conservation of human resources and a realization of the fulness of life by the laborer. Unionism aims at a modification of the rigidity of the system to give a larger life to the laborer." Is this a correct statement of the aims of unionism?

6. "Unionism aims to win from the productive demands on the laborer enough of time and income to give him a varied consumption to balance the monotony of his productive life." Criticize this as a statement of the aim of unionism. Present a substitute statement which you regard as more accurate.

75. The Theory of Unionism

A. For the realization of its ends unionism attempts to establish such conditions as will effectually preserve the solidarity of the group or class and cause it to act as a unit. The epitome of union theory is the "principle of uniformity," in terms of which all union conventions and practices find their expression.

B. 48, 292, 324.

C. 1. Explain the meaning, the purpose, and the importance of the principle of uniformity. 2. Explain collective bargaining, the closed shop, control of technique, and control of apprentices in terms of this principle. 3. Show, by concrete examples, the value of collective bargaining to unionism. 4. State the economic arguments for and against the closed shop. 5. Is the closed shop ethically defensible?

D. 1. "The spirit of collective activity underlying unionism is antithetical alike to our individualistic political and legal system and our pecuniary organization of society." Show that this antithesis is real. What fundamental problems does it involve? What other tendencies or proposals considered in this course have the same anti-individualistic character?

2. "The closed shop, finding expression in a complex and detailed ritual as to technique, workmen, and materials, strikes at the very root of productive efficiency." Cite examples showing wastes incident to these minute rules. Defend or attack the statement above. If the statement is true, is there any defense left for the closed shop?

3. "The levying of customs duties, the exclusion of aliens, the drawing of the color line, and the admission of the select few to a sacred social circle are all expressions of the closed shop." Do you agree? Are these practices defensible? Point out examples of the "closed shop" practiced by capitalists. On what ground can the closed shop be defended?

4. "In two respects unionism strikes at the very basis of our civilization: first, by insistence upon 'uniformity' in wages, it denies to the talented and ambitious man a chance to rise, thus discriminating in favor of mediocrity; and second, by the closed shop, it denies to the non-union man his God-given right to make a living for himself and his family by working at his trade." Appraise this attack upon unionism.

5. "The ideal institution, calculated to preserve the rights of unionist, non-unionist, employer, and public, is the closed shop with the open union." Is such a thing a contradiction in terms?

6. "By control of hiring and discharge, the technique of workmanship, and the condition of employment, the union can win for

its members economic security. By collective bargaining it can virtually establish the prescribed conditions permanently. Thus, within the law, labor can win back the equities in property which it possessed under the manorial system." Under what conditions can this program be fulfilled? Is it likely to be fulfilled? Would a realization of it be advantageous to union laborers? to the employers? to the public?

76. The Weapons of Industrial Conflict

A. The realization of their divergent ends involves labor unions and employers in a perpetual "industrial conflict." Strikes and lockouts are but the most obvious manifestations of this struggle. The unions use many other weapons adapted to their purposes, and plan short-time and long-time campaigns with consummate strategy.

B. 329, 333, 334, 336.

C. 1. What means are used by unions to secure a spirit of group solidarity? Are they effective? 2. What "weapons" are used to force their demands upon employers? How effective is each? 3. What weapons have been perfected by employers for resisting the demands of the laborers? 4. What prime object lies back of the organization of "employers' associations"? 5. Account for the weakening in the strategic position of organized labor in the last ten years.

D. 1. "The employer is an opponent worth fighting; the 'scab' is an anti-social traitor who has no rights to be respected." Why do unions find it necessary to encourage such feelings against scabs?

2. "Every weapon used by the unions finds its complement in a similar weapon used by the employers." What is the complement of the strike? the boycott? Show instances in which the parallelism does not hold.

3. "The boycott, for its success, depends upon publicity; the blacklist, upon secrecy. Therefore the conspiracy laws are much more easily enforced against the former than against the latter." Explain in detail.

4. Present the arguments for and against the legalization of the boycott. On which side does the balance lie?

5. "The sympathetic strike is a necessary agency in the realization of the union program." What objections are usually advanced against the sympathetic strike? What theory underlies the argument in its favor?

6. "The presence of large increments of immigrant labor has robbed some of the most powerful union weapons of their efficiency." Explain in detail.

7. "Through co-operation, careful study of the problem, and vigorous action employers' associations have reduced strike-breaking to an exact science." Explain fully. What influence has this had upon the strength of unionism? upon the future program and activities of unionism?

77. Scientific Management and Unionism

A. Scientific management is one of the most spectacular of recent industrial developments. But, for our purpose, it is far more important that it is a point of conflict at which converge the antithetical theories underlying union activities and the programs which the employers are trying to put through.

B. 29, 359, 360.

C. 1. Account for the great attention recently given to scientific management. 2. What improvements does scientific management propose in organization, management, choice of man, planning? 3. What incentives does it offer the laborer to apply himself more persistently and intelligently to his work? 4. Are the objections to it urged by the unions group, class, or social objections? 5. What advantages may be expected from it to the employer? the laborer? the public? 6. Does it offer a solution to the labor problem?

D. 1. "The primary social problem is that of production. Solve that and the problem of distribution will take care of itself." Develop the argument. Do you accept it?

2. "Scientific management, by increasing productive efficiency, will decrease costs of production. Since, under competition, a new scheme of prices will be established, based on new costs, the general public will be the only permanent gainer from the change." Connect this with the principle that society is best served by each serving his own pecuniary interest. Is it valid?

3. "Scientific management is a mere device for securing the maximum from laborers. It selects them carefully, gives each just the proper quantum of training, strips them of their labor power through artificial wage incentives, scraps them like old machinery, and starts afresh with a new group of carefully selected laborers." How much is there in this argument? What have competition and short-term labor contracts to do with it?

4. "By its usurpation of the control of technique, scientific management threatens to rob laborers, individually or collectively, of the property rights which at present they possess in their trades." State this argument more fully. What validity has it?

5. "Scientific management and unionism are in irreconcilable conflict. The former gives control of the business to the employer, tends toward specialized tasks and hence individual bargaining, and

threatens a premature using up of the laborer's productive contribution. The latter insists upon union control of technique, collective bargaining, and the conservation of the resources of labor." Examine this alleged antithesis in detail, and pass judgment upon it.

6. "Even if it realizes all that is claimed for it, scientific management can furnish no permanent solution of the labor problem. If it gives more, the pressure is relieved immediately, but with increasing population it will return." If real wages were generally doubled, would that solve the labor problem? If the program of unionism was realized in every respect, would that solve the labor problem? How long will this problem be with us?

78. Unionism and the Anti-Trust Laws

A. As the use of their economic weapons has been more and more restricted, unionists have begun to look with more and more favor upon political action. The recent attempt to have labor unions exempted from the provisions of the "anti-trust" laws marks the first step in what is likely to prove a lengthy and interesting chapter in political history.

B. 55, 329, 334.

C. 1. Is labor a commodity? 2. Explain and account for the difference in views between Gompers and Taft on the exemption of labor unions from the "anti-trust" laws. 3. Of what value to unions is the legal exemption of labor combinations in the Clayton bill?

D. 1. "Labor is a commodity which, unlike other commodities, attaches in a peculiar way to the person of man. Hence conditions need to be placed upon its sale which would be unnecessary in other cases" (Green). If so, should closed unions be allowed to impose these conditions upon employers, or should they be determined by the state?

2. Is a provision estopping prosecution of an individual "for entering into any combination or agreement having in view the increasing of wages, shortening of hours, or bettering the condition of labor" class legislation? What is class legislation? Is legislation properly to be condemned because it is class legislation?

3. State quite fully why the counsels favorable to "direct action" prevailed in union circles two decades ago? Why is the party favorable to "political action" gaining ground?

79. Revolutionary Unionism

A. With the development of our highly industrial, pecuniary, and urban culture there springs up a spirit of revolutionary protest. To some extent this manifests itself in independent organizations,

but to a much greater extent among the rank and file of unionists themselves. Its study reveals class consciousness in its most extreme form.

B. 286, 355.

C. 1. Account for the presence in this country of revolutionary unionism. 2. Contrast the purposes, programs, and weapons of the industrial and the trade unions? 3. Sketch and criticize the proposed syndicalistic organization of society. 4. Cite examples of different kinds of sabotage which have come under your own observation. 5. Is sabotage confined to the industrial unions? to labor unions? to the laboring class? 6. Could a general strike succeed? 7. Of what value is revolutionary unionism in a general study of the labor problem?

D. 1. "The very success of the employers in checking unionism is the chief cause of the rise of revolutionary unionism. Sabotage can be apprehended by no policemen and dragged into no court." Is the first statement true? Are laborers likely to find sabotage a useful weapon?

2. What is an "intermittent strike"? Is it to be classified as a strike or as sabotage? Is it an effective weapon for direct action?

3. "The use of sabotage is attended with grave social dangers. It makes the laborer himself the judge of whether he is given his rights; it encourages a spirit of disregard of productive efficiency; and it threatens the whole pecuniary organization of society." Show by concrete examples how real and threatening these dangers are.

4. "The general strike can never succeed, for the class which would suffer first from it would be the industrial workers." Do you agree?

5. "Their ability to wait gives to the employers in the industrial struggle an advantage which laborers will never be able to possess." Are short strikes usually won by laborers or by employers? long strikes? Enumerate quite definitely the strategic advantages which ability to wait gives the employers.

6. Imagine yourself a leader in the trade-union movement and draw up a comprehensive and adequate program for future action.

XII. SOCIAL REFORM AND LEGAL INSTITUTIONS

80. The Legal System

A. Our institutions, such as law, property, and competition, are interesting alike from the standpoint of order and of welfare. From the former viewpoint they are elements in the social order; from the latter they are conventions capable of modification in the interests of general or group welfare. To questions of the social advisability of modifying these institutions, and the nature of such modification, the questions which we have already discussed, particularly economic insecurity and trade unionism, have led us. The first of these to be considered is the legal system.

B. 48, 60, 309.

C. 1. Why has the resolution of social problems into institutional questions come so late in America? 2. Is the theory of the economic basis of law adequate? 3. Show, by concrete illustrations, that law is not immutable? 4. Are there today serious incompatibilities between law and the economic and social system? 5. Should the law be a conservative or a radical factor in social development? 6. Does an affirmative answer to the preceding question commit one to opposing the introduction of a new concept of "social justice" into the law?

D. 1. Write a short essay upon "The Function of Law in the Maintenance of the Economic Order."

2. "The intricate and delicately balanced industrial system, with its requirement of many immediate judgments affecting the future welfare of all classes, demands, even more than it demands absolute justice, certainty in the law." Show that a definite legal system is necessary to efficiency under the present industrial order.

3. "It is only as law prescribes definite fundamental conditions that progress in other aspects of social life becomes possible." Develop this argument in detail. Is it valid?

4. "The legal use of precedents is incompatible with modern thought. We know that as time goes on qualitative changes come over all things human. Our institutions are constantly becoming new institutions. Yet the method of precedents ignores these changes, and proceeds as if things called by the same names in the sixteenth and the twentieth centuries were the same." Develop this argument, citing the most convincing evidence that you possess. Do you regard it as conclusively disposing of precedents?

5. "The individualistic basis of law is incompatible with an intricate co-operative industrial system, wherein individual responsibility cannot be definitely located." Illustrate, by reference to the corporation problem, the problem of the state and the railway, and the problem of industrial accident.

6. "The principle of 'equal rights to all, special privileges to none' can be applied in a homogeneous society, composed of individuals who, economically and socially, are approximately equal; but it is meaningless in a society made up of heterogeneous groups, who perform unlike functions and who occupy unlike positions, economically and socially." Explain. What has this to do with "class legislation"?

7. Formulate a conception of "social justice" relevant to the present situation and adequate to the purpose, which can be made the basis of our legal system. What is involved in the thorough incorporation of such a concept into the law?

81. Private Property

A. A second institution, private property, has a like interest from the standpoints of order and welfare. Private equities in property, either direct or indirect, are inseparable from social order. But the distribution, forms, and conditions of ownership of these equities are subject to the greatest variety.

B. 16, 254, 289, 354, 372.

C. 1. Compare the mediaeval and the modern institutions of private property. 2. On what various ethical bases is private property justified? 3. On what ethical grounds is an attack made upon private property? 4. What is the proper ethical criteria by which to judge property? 5. In accordance with these, what forms of modern property are, and what are not, justified?

D. 1. Distinguish between and pass upon the validity of each of the following definitions of property: (a) "ownership of material things"; (b) "a right to a pecuniary income"; (c) "a right to a share of the social dividend produced by labor"; and (d) "a complex of ideas and regulations as to how accumulated power in the struggle for self-maintenance is to be distributed." Formulate a satisfactory definition of property.

2. Show how equities in property may be modified by the state; by changes in social conventions; by changes in technique.

3. "The transition from the personal organization of society in the Middle Ages to the pecuniary organization of modern industrialism was accompanied by a redistribution between owner and worker of the equities in labor and in productive instruments." Explain. What light does this throw upon the nature of property?

4. "Private equities in property are with us forevermore. Under forms of collective ownership the nexus between the individual and the material thing is broken; but there still remain to individuals equities in the organization which owns the material things." Illustrate for monasticism; for a socialistic state.

5. Show, by illustrations, how the institution of private property prevents acts economically destructive; makes it to the interests of various persons to perform productive operations; obliges persons to co-operate; establishes an institutional system that encourages co-operation; and enables world-wide co-operation to take place.

6. "Private property, freedom of contract, and competition are complementary institutions, together adapted to the functions which they perform in the organization of modern society upon a pecuniary basis." Taking this as your text, write a short essay upon "The Fundamental Institutions of Organization in Modern Society."

7. "The real problems associated with private property are concerned with a distribution of the public and the private equities in property." Explain, with concrete illustrations.

8. "The early church doctrine of Christian communism plus the mediaeval recognition of the rights of private property equals the modern doctrine of Christian charity." Explain fully. Do you agree?

9. "The two complementary aspects of property are rights and responsibilities. For property properly to play its part in the social order the two must be associated." Were the two closely associated in the Middle Ages? With the rise of modern industrialism which has the more nearly dominated the concept? What are the real problems relative to property which the modern order has as yet failed to solve?

10. "The real problem of property is to secure a more equitable distribution of its benefits without interfering with the essential functions which it performs in organizing society and stimulating production." Do you accept this statement of the problem? How is it to be solved?

82. Industrial Liberty

A. A third institution, industrial liberty, is of a kind with and complementary to those just studied. Like them, it is alike a factor in social order and in social welfare.

B. 45, 49, 55, 74, 135, 318.

C. 1. What is the relation of freedom of contract to the modern institution of property? 2. Explain the theory of the "mediatory character of freedom." Is it held by the courts? 3. In the light of "what freedom of contract has meant to labor" appraise the argument that it develops personal responsibility. 4. Is freedom of

contract premised upon an outworn philosophy? 5. Do those who criticize the legal principle advocate its abandonment or its modification?

D. 1. "The spirit of individualism attending the opening of the New World and the Industrial Revolution found expression in unrestricted freedom of contract. As the industrial system loses its transitional quality freedom of contract will be more and more restricted." Do you agree?

2. "The right of a person to sell his labor upon such terms as he deems proper is, in its essence, the same as the right of the purchaser of labor to prescribe the conditions upon which he will accept such labor from the person offering to sell it. So the right of the employee to quit the service of the employer, for whatever reason, is the same as the right of the employer, for whatever reason, to dispense with the services of the employee. In all such particulars the employer and the employee have equality of right, and any legislation that disturbs that right is an arbitrary interference with the liberty of contract, which no government can legally justify in a free land" (United States Supreme Court). Is the equality of rights presumed in this quotation real or fictitious? Attack or defend this doctrine.

3. "Because of its false assumption of equality of rights between employer and employee, the principle of freedom of contract amounts to class favoritism." Do you agree?

4. "A regulation of the plane of competition necessarily involves a restriction of freedom of contract." Why?

5. "A tenacious insistence upon absolute freedom of contract would inhibit any rational attempt at social reform through legislation." Using concrete illustrations, defend or attack this statement.

6. "Public policy is a very unruly horse, and when once you get astride it you can never tell where it will carry you." Does this statement suggest the legal means by which freedom of contract is likely to be modified in the future?

83. The Courts and Labor

A. Attempts to advance the pecuniary interests of the laborer, whether made by unions or by the state, are likely to involve, directly or indirectly, questions of property rights and of freedom of contract. Accordingly sooner or later they call for judicial decision. Since for the last few years judicial decision has pursued the comparatively even tenor of its way, many weapons used to aid organized labor have been wrested from its grasp or rendered ineffective.

B. 60, 64, 289, 299, 309, 329.

C. 1. Why do judicial decisions loom so large as a factor in the labor problem? 2. Compare and criticize the theories underlying

the decisions of the courts on the limitation of the working-day for women. 3. Are employer's and employee's rights reciprocal? 4. State in general terms the issues involved in the Danbury Hatters' cases, and defend or attack the final court decisions. 5. Should injunctions be allowed in labor disputes? 6. Appraise the reality of the assumptions and the validity of the argument in the decision on "Unionism and the Conditions of Employment."

D. 1. "A regulation of conditions of employment for men is class legislation." Legally, what is a class? Is a class a reality or a legal fiction? In a differentiated society such as ours what is a class? In such a society is it practicable to prohibit "class legislation"?

2. "Freedom of contract can be abridged only by the exercise of the police power of the state." For what purposes may the police power be invoked? Just how is it to be determined whether a particular attempt comes within one of these general purposes? In general, should questions of the last kind be determined by the legislature or by the courts?

3. "The inherent powers of our courts of equity shall not be abridged in the issuance of injunctions in labor disputes; and the power vested in our courts to punish for contempt of court shall not be abridged by the granting of jury trial for contempt." Connect these two questions with the struggle between employers and unions.

4. "The law does not, and should not, embody a particular economic theory." Criticize this statement in the light of judicial decisions with which you are familiar.

5. "The law of property and contract, as interpreted by the courts, gives economic advantages of superlative importance to capital in its conflict with labor." Do you agree?

6. "Violence and lawlessness are, of course, to be condemned; but what of a legal system that gives to laborers no other means for an expression of their just demands?" Is this criticism of the legal system warranted? What means have laborers for an expression of their demands?

7. "Through a natural strategic advantage and close organization possessed by the employers many of the weapons of unionism have been rendered ineffective. Through an extension of judicial interpretation of the rights of property and of contract other weapons have been rendered useless. The unions, therefore, are confronted with the alternative of vigorous political action or the use of sabotage and kindred devices." Translate the first sentence into concrete terms. Is the second sentence a truthful statement of the present situation? If you were a leader in the union movement, what would be your advice as to the future? Compare your answer to this question with that which you gave to problem 6 in section 79.

XIII. SOCIAL REFORM AND TAXATION

84. Taxation and Industrial Development

A. A discussion of the control of industrial development is incomplete if it does not touch the problems of taxation; for, first, there is the problem of adjusting the scheme of taxation to the new forms in which industrial activities run; secondly, if the functions of the state are to be increased, there is the necessity of additional revenue; and thirdly, there is the ever-present possibility of using the fiscal system itself as a means of social control.

B. 25, 56, 58, 267.

C. 1. What particular problems have recently given current interest to questions of taxation? 2. What changes in social organization are we effecting? What influence are they likely to exert upon social expenditures? 3. Show, by illustrations, how taxation can be used as a means of social control. Should it be so used?

D. 1. "To extend our educational system; to furnish to the people opportunities for recreation, amusement, and cultural development; to lighten the burden of economic insecurity; and to perfect an adequate mechanism of social control, we must have additional revenue." By surveying the problems which we have discussed, show quite concretely this need for a growing revenue. Can the established tax system yield it in sufficient volume?

2. "A system of taxation must not interfere with the relative advantages possessed by competing business units and industrial groups." Of what larger theory is this a mere aspect? Account for its popularity.

3. "In America the system of taxation, by encouragement and penalty, has served as a means for determining the direction of industrial development." Mention taxes whose object has been to discourage consumption; to encourage production. What particular tax has been quite influential in making our culture a highly industrial one? Can taxes be levied in such a way as not to exercise control over industrial development?

4. An appraisal of the taxable property of Michigan shows that, while all property is supposed to be taxed at a uniform rate, various classes of property are in reality taxed at the following rates: agricultural property, \$10 per \$1,000; railroads, \$20.65; banks, \$17; public utilities, \$7; mines, \$7; city residences, \$4.70; and manufactures, \$5.30. What is meant by "the territorial competition for

industries"? Do the figures above throw any light upon this competition? Do they aid in answering the last question in 3, above?

85. The Theory of Taxation

A. To use such an instrument as taxation aright we must determine what particular classes or properties are to be assessed, why the burdens are to be placed upon them, how the taxes thus placed may be expected to behave, and what results they will probably lead to. This involves an adequate knowledge of the technique of taxation and a thorough knowledge of our social program as a whole and what we expect to accomplish by it.

B. 43, 49, 55, 56.

C. 1. Are Adam Smith's canons of taxation valid today? 2. Appraise the merits of the "benefits theory"; the "faculty theory"; and the "theory of proportional sacrifice." 3. Define and illustrate "progressive taxation." 4. Upon what classes and properties, and in what proportions, should taxes be levied?

D. 1. Has the state the moral right to tax the bachelor for the support of schools? to pay for harbor improvements through internal-revenue duties? to pay for the professional education of lawyers and physicians by land taxes? to pay old-age pensions by levying income taxes?

2. "Each should pay in proportion to the benefits he has received from the state." Can the benefits yielded by the state to various individuals be stated in terms pecuniarily exact?

3. "Taxes should be levied in such a way as not to interfere with the provision which society is making for its future. They should, therefore, fall upon the parts of incomes which otherwise would be devoted to consumptive purposes. To be safe, it is always best to levy taxes upon the poor, who are reasonably sure to save nothing from their incomes." Defend this theory. Has it been tried in the past?

4. "Earned incomes should be taxed at a lower rate than unearned incomes." Draw a line between earned and unearned incomes. Is such a procedure justifiable?

5. Should taxation be used to secure "a more equitable distribution" of wealth? How can it be so used?

86. The Incidence of Taxation

A. Whether we use taxation as an instrument of revenue or of social control, to effect our object we must understand its technique. For taxes do not always stay where they are put; their "incidence"

may appear in strange places, and they may produce unlooked-for and undesirable consequences.

B. 163, 168, 178.

C. 1. Explain the terms "shifting" and "incidence." 2. What is meant by "forward" and "backward" shifting? Give an example of backward shifting. 3. What would be the probable consequences of the incidence of a tax falling upon each of the factors of production? 4. Under what conditions does the incidence of the customs tax fall upon the foreign producer? upon the domestic consumer?

D. 1. "The incidence of a tax on a non-producible good usually falls upon the owner." Prove.

2. "The incidence of a tax on a producible good usually falls upon the consumer, though it may, on occasion, be thrown back upon the producer of a raw material." Enumerate the conditions under which it is thrown forward; backward.

3. A residence in Bloomington is taxed each year \$70; of this, \$40 is chargeable to the house and \$30 to the lot. The tax on the house will be paid by whom? the tax on the lot?

4. "In the election on the bond issue next Tuesday, only property-owners should be allowed to vote, for they alone pay taxes." Show that those who live in rented houses pay taxes.

5. "The imposition of a new tax on land is equivalent to a confiscation of the capitalized value of the tax; the revocation of a long-standing tax is tantamount to a free gift of the capitalized value of the tax." Prove.

6. "A large share of the burdens of taxation in the southern states falls directly upon the negro. It is true that the taxes are paid immediately by the whites, but because of them the negro has to pay their equivalent in extra rent." Disprove.

7. "If a monopoly fixes its prices in such a way as to secure the greatest maximum return, at least a part of the tax placed upon the goods sold by the monopoly will fall ultimately upon it." Explain. What determines how large a part will fall upon the monopoly?

8. "High taxes should not be imposed upon public-service industries whose rates are subject to regulation. Such taxes make necessary an increase in the rates which the public has to pay for their services." If the rates of such industries are subject to regulation, would it be socially desirable to exempt them from taxation altogether?

87. "Unscientific" Taxation

A. In the wake of the Industrial Revolution there has come a complete transformation of life and values. It is not surprising that a taxation system, established to meet the needs of a simpler economic

régime, should fail to conform to present social requirements. This failure is most manifest in the "general property tax." It is most significant in its failure to be grounded upon a modern concept of property.

B. 320, 338.

C. 1. What concept of property should lie at the basis of a system of taxation? 2. Illustrate, from your own observation, the defects of the general property tax. 3. What is the fundamental objection to multiple taxation?

D. 1. Discuss the definitions of property given in problem 1 in section 81 above, with the end in view of formulating a concept adequate for a theory of taxation.

2. "A recent newspaper item says, 'This is the year real estate is assessed. Turn the cow loose in the front yard, tear down the fence, make things look generally delapidated, for it will be money in your pocket'" (Fetter). What is the significance of this statement? Will it be to your advantage if you alone carry out this policy? if all your neighbors carry it out?

3. "A systematic scheme of taxation is impossible so long as the political units imposing taxes are not coterminous with the industrial units which are assessed." Explain. Why has this particular significance for the general property tax?

4. Devise a practicable substitute for the general property tax.

88. Tendencies in Taxation

A. We are intent upon making our tax system conform to modern forms of wealth. We are intent upon distributing our tax burdens more "equitably." Together these intentions find expression in the increased emphasis which we are putting upon "corporation," "income," and "inheritance" taxes.

C. 1. Why is the general property tax inadequate in the case of corporations? 2. Enumerate the features of, and pass a judgment upon, the Massachusetts corporation tax. 3. Why should we have a federal income tax? 4. Will a capitalization of the inheritance tax free it from the economic objections which are usually urged against it?

D. 1. "In modern industrialism all property has a pecuniary aspect. In fact, property is valuable only as it yields, or is expected to yield, a money income. Its value varies directly with the size of the income. Accordingly, all taxes should be abolished except a single uniform tax on incomes." Does the conclusion necessarily follow? Support or attack the conclusion.

2. Should income taxes be imposed by the nation, by the state, or by both? What of corporation taxes? inheritance taxes?

3. "An income tax should be levied in such a way that it will be paid by the assessed out of the part of his income which he spends and not out of the part which he saves." Why? Devise an income-tax law that will secure this result?

4. "The greater the aggregate income, the greater the proportion which will be saved. If society pretends to make provision for its future, it will, therefore, devise a tax system which will place the greater part of the tax burdens upon the poor." Elaborate this argument. Does the present scheme of taxation meet this ideal? If not, what changes would you make in it? Do you accept the general theory that the paying of taxes is an attribute of the poor?

5. "The principle of graduation, as applied to the income and inheritance taxes, places the burden of taxation where it should rest, upon the shoulders of those who can pay." "Graduated income and inheritance taxes discourage the display of ability and enterprise; they place a premium on sloth and a discount on thrift." Where lies the truth?

6. "The future is likely to witness a greatly increased use of inheritance and income taxes." Why or why not?

89. The Single Tax

A. The taxes just discussed indicate a growing disposition to use taxation as an agency of "social reform." This tendency is shown in its most extreme form in the proposal of a "single tax" on land values. Originally it contemplated taking away the full rental in taxation. At present its advocates are content to urge a modest percentage of the full rental.

B. 322-25.

C. 1. Why should an increase in land values be of greater public concern than an increase in personal or capital values? 2. Enumerate the arguments for and against economic rent as a private income. 3. State and criticize the theoretical basis of the single tax. 4. Why are single-tax reformers making much more modest proposals than they did a generation ago? 5. What directly or indirectly has society to gain from such a scheme as the single tax?

D. 1. What would be the influence of a tax of 100 per cent of the rent of land upon the value of land? the prices of the commodities produced on the land? the price which the cultivator would have to pay for the use of the land? the distribution of economic opportunity?

2. "Because of differences in fertility or situation between different pieces of land, rent is necessary to secure equality of opportunity to the various cultivators. Because of this economic function rent is as inevitable under socialism as under the present system."

Develop this argument fully. Is it an argument for rent as a private income?

3. If the state, through taxation, takes away the "unearned increment" in land values, should it be required to subsidize decrements in such values?

4. "There are 'unearned increments' in incomes from personal service and from invested capital, as well as from land." Mention examples, if you can. Are such increments economically to be classed with those arising from land? What is the test of "earned" and "unearned" values?

5. "Since all property, landed and personal, can be freely bought and sold, there is no assurance that a tax upon the increase in land values would be paid by the person who profited by such an increase." Is this argument valid so far as past increases are concerned? future increases?

6. "The single tax tries to justify or condemn incomes because of their origin. Sound social policy requires, on the contrary, a condemnation or justification on the basis of the end which incomes serve." Develop this argument in detail and examine it.

7. "Once single-taxers urged their scheme as a panacea for all social ills. Now they are arguing that it is the only tax which can furnish revenue sufficient for financing the measures necessary to a reduction of social ills." Explain the change of viewpoint.

8. "The question of the single tax is at bottom a question of the ethics of the institution of the private ownership of land." Explain. What light does this statement throw on the nature of the problem involved?

XIV. COMPREHENSIVE SCHEMES OF SOCIAL REFORM

90. The Voice of Social Protest

A. A "program of social reform" is implicit in the preceding study. However, to complete our treatment, it seems necessary to make at least a brief reference to some of the more radical schemes. A suitable introduction to them is the ever-old and ever-new "cry for justice," from which no age and no social system has been exempt.

B. 14, 17, 27, 42, 46, 52, 71, 76, 79, 143, 200, 287, 312, 321, 322, 329, 350.

C. 1. Make a list in tabular form of the conditions, institutions, etc., against which the protests given in the reading are directed. 2. Contrast and compare earlier with later protests. 3. Of what value is a study of "the voice of social protest"?

D. 1. In the development of society what function is performed by protest? Which makes the greater contribution to the development of culture, the conservative or the protestant? the "stand-patter" or the "progressive"? What is a "progressive"?

2. Why has America in the past been relatively free from "radical expressions" of dissatisfaction with things as they are? Is this immunity destined to be permanent?

3. Compare the conditions and institutions at which protest is directed in non-industrial and industrial societies? Against what conditions and institutions do modern reformers most vigorously protest?

4. "The voice of protest is short-sighted and emotional. It is the cry of those without imagination and power of abstraction sufficient to enable them to take a comprehensive and long-time view of things." Do you agree?

5. What "utopias" have you read? Were they descriptions of ideal societies or protests against the schemes of institutional arrangements under which they were written? In what social utopia would you like to live?

91. Individualistic Schemes of Reform

A. The schemes of reform presented in this section have a double value as an introduction to socialism. By contrast their "individualistic" nature reveals the "socialistic" basis of the other system. Further, they reveal institutions, the object of which is to give the industrial laborer a fixed status in the scheme of things

industrial, and which accordingly find places in the socialistic program.

B. 251, 305, 306, 323, 333.

C. 1. If the laborers are "scrub-humanity," is it desirable to better their conditions? Is it possible? 2. Can co-operation furnish a solution of the labor problem? 3. Is profit-sharing a way to industrial peace? 4. Is the difference between the two views of the welfare of the laborers in the steel industry due to a difference in facts, in prejudices, or to something else? 5. Are old-age pensions advantageous to the employers? the employees immediately affected? employees in general? the public?

D. 1. "Poverty is the wage of inertia." "Blessed are the poor." Reconcile these two statements.

2. "I have solved the labor problem so far as my own factory is concerned. I pay my men a little higher wages and maintain a little better working conditions than do others in my industry. Anyone else can solve his problem by following my simple remedy." Can the problem be solved if all employers go and do likewise?

3. "The whole of the present social unrest has its root in a lack of identity between the interests of labor and those of capital. It will disappear straightway, once that identity is established. To this end only the simple device of profit-sharing is needed." Is the problem to be solved so easily?

4. "Profit-sharing solves the labor problem by giving the employee an interest in the business." "Profit-sharing is an attempt to bribe the laborer to accept the employer's-viewpoint, philosophy, and social program." Which statement is true?

5. "Devices such as welfare work, sickness benefits, and old-age pensions represent an attempt to force 'the higher efficiency' upon the laborer. They represent attempts to 'do things for him,' rather than to allow him to work out his own salvation. They proceed from assumptions of superiority and inferiority in society and of the duty of the superior to be good to the inferior." Develop this argument. Account for its prevalence among laborers. Is it an adequate argument against "individualistic" schemes of reform?

6. Make a list of the institutions mentioned in these individualistic schemes of which use would be made by a socialistic state, and show the use which socialism would make of each of them.

92. The Socialist's Indictment of Capitalism

A. Thus far socialism has presented a negative rather than a positive doctrine. Its concern has been much more with pointing out defects in contemporary social arrangements than with elaborating

new arrangements. Its great services, in the development alike of economic science and industrial culture, have been critical rather than constructive. For this reason, if we would understand socialism aright, we must approach it as an economics of protest.

B. 27, 52.

C. 1. State and criticize the theory of industrial evolution as outlined by Marx. 2. Enumerate the particulars in which socialistic critics insist that "capitalism" has failed. Appraise their arguments. 3. Is there any inconsistency between Marx's argument and that of Macdonald? 4. What contributions to economic science have been made by these indictments of the present order? 5. What social problems has this criticism either discovered or revealed more clearly?

D. 1. "Capitalism is a mere phase of the evolution of society." Mention and briefly describe other "phases." Why do, or do you not, think that capitalism is the "final form" in economic development?

2. "In the beginning the Lord created heaven and earth, but nowhere on the landscape was there a particle of capital. Then the Lord created man; still there was no capital. Then man began to labor, and lo! there was capital, created by the labor of the man." Does this argument succeed in annihilating capital as a factor of production?

3. "The capitalistic system has succeeded admirably in solving the problem of production. Under its whips and in search of its prizes material wealth has been increased a hundred fold." Elaborate this argument. Its implication is that it has left what problem unsolved?

4. "Capitalism lays its own cuckoo egg in the nest." "Because of its iniquities we should see to it that the capitalistic system is replaced by one better able to meet human needs." Are these two arguments consistent?

5. Socialism is usually defined in terms of a constructive scheme for the reconstruction of society. Does this disprove the statement above, that socialist doctrine is negative rather than positive, critical rather than constructive?

6. Mention various ways in which socialism has contributed or is likely to contribute to the development of economic science; of industrial culture. Does an admission of the value of its contributions indicate an adherence to its doctrines?

93. The Case for Socialism

A. The case for socialism is quite largely the case against capitalism. But, by implication, it suggests, at least in very large outlines, a general theory for a program of reconstruction.

C. 1. Distinguish between socialism, communism, and anarchism. 2. What general principles underlie the proposal of a social commonwealth? 3. What institutions of capitalism would be retained in the socialistic state? 4. Is there a clear antithesis between the socialistic and the capitalistic forms of industrial organization? 5. Is socialism to be condemned because its plan of social reconstruction is not worked out in its details?

D. 1. Why did the spirit of social protest take an anarchistic form in the England of the eighteenth century? Why does it take a socialistic form in modern England? Why does it take an anarchistic form in Russia and a socialistic form in Germany?

2. "Socialism is based fundamentally upon the same economic philosophy as capitalism. Socialism would keep the capitalistic structure of society intact. It would change only the equities in the ownership of property." Defend or attack this statement.

3. "The central aim of socialism is to terminate the divorce of the workers from the natural sources of subsistence and of culture." Is this a correct statement of the aim of socialism? If the state be substituted for the private owner, will the sources of "subsistence and culture" be any more accessible to the workers? If the divorce can be terminated, its termination involves what changes in our institutional arrangements?

4. Why is it that socialism is usually thought of as a proposal for economic reconstruction? why not political, religious, social, or even cultural reconstruction?

5. Would "personal liberty" have the content in a socialistic society which it now has? Would there be more or less of it? If its content is different, how can you tell whether there would be more or less?

6. Which of the following institutions would reappear under socialism: the market? private property? contract? pecuniary valuation? competition? the wages system? capital? interest? rent? the entrepreneur? the corporation? the state? economic classes?

94. Socialist Arguments for the Masses

A. Socialist writers and orators are much too clever to present to the masses a dispassionate and scientifically accurate recital of the comparative merits and defects of capitalism and socialism. They realize quite clearly that an emotional appeal is necessary to make converts. We must not forget that the real socialism of a majority of its devotees is not the "socialism of analysis" but the "socialism of propaganda."

B. 27, 283, 312, 322, 354, 355.

C. 1. Make a tabular outline of the charges brought against capitalism in these readings. 2. Explain the presence and increasing prevalence of these views. 3. Of what value is a knowledge of these "arguments" to the student of economics? 4. Of what value is a knowledge of economics to the exponent of socialism.

D. 1. "All over this land workers are producing food, clothing, and luxuries that others consume; they are building houses that others live in; they are constructing railroads that others travel over. When socialism arrives, all this will be changed. The workers will consume the food, clothes, and luxuries they produce; they will live in the houses they build; and they will travel over the railroads they construct." Account for this argument. Appraise it.

2. "All value is produced by labor." "Socialism offers you \$1,800 a year for your vote." Show how the figure \$1,800 is arrived at. Can socialism redeem this promise?

3. "A laborer, working in a good factory with up-to-date equipment, can produce \$10 of goods in a day. But he gets only \$2. Somebody else gets \$8. Under socialism the \$10 would go to the laborer who produced it." Admitting the last statement, would all of it go to the laborer working in the factory? Should all of it go to "labor"?

4. "Since there is just so much work to be done, labor-saving machinery robs men of jobs. It is, therefore, the deadliest curse which has fallen upon the human race." Cite similar evidence of the opposition of laborers to the introduction of machinery. What theory lies back of this opposition? Appraise the theory.

95. Socialist Programs

A. Socialism is a protest and an ideal, but it is a program for immediate action as well. A study of socialist party platforms in historical order reveals clearly the increasingly conservative character of the movement. Something of its present conservatism can be seen in a study of a single party platform.

C. 1. Make a tabular list of the assumptions upon which is based the theory that finds expression in the specific demands of socialist platforms. 2. Give an exposition of the "theory of socialism" so far as it is developed in these platforms. 3. Make a list of the "demands" which would be acceptable to large bodies of men who do not call themselves socialists. 4. What have you left? Is this residuum the test of socialism?

D. 1. "As any movement grows older, the number of its adherents increases, and it becomes better known, unconsciously it loses little by little its radical character and becomes conservative." Can this statement be made to serve as the basis for a history of Chris-

tianity? Is it applicable to the socialist movement? Can you give other illustrations of it?

2. "All values are produced by labor." "All productive property should belong to society." "All initiative in industry should be taken by the state." Cite evidence in the "platforms" showing that socialists do, or do not, believe in these "principles" today.

3. What arguments support the theory that socialism is to be achieved by means of a revolution? that it is to come through evolution? Do you expect to find "evolutionary" and "revolutionary" socialists agreed on a program? Do the platforms given represent the demands of the evolutionists or of the revolutionists?

4. Would rent be paid in a socialistic state? Would its recipient ever be a private individual? Would interest be paid? If so, who would receive it? By what standards would a socialistic state determine rates of wages?

5. "To each according to his personal productive contribution." Is this ideal of "distributive justice" definite and intelligible? Show just how in practice it would be applied.

96. The Case against Socialism

A. There is little exaggeration in saying that socialism means many things to many men. Therefore, in advancing arguments against it, or in studying the arguments of others, one must be exceedingly careful to correlate the attack with the particular kind of socialism which is attacked.

B. 61, 67, 278, 325.

C. 1. Sketch a plan by which the transition to the socialist state may be effected with the minimum of loss. 2. Will socialism rid society of inequality? Will it reduce inequality and rid it of the extremes so evident under the present system? 3. Will socialism endanger "personal liberty"? 4. What validity is there in the argument that socialism will cause a rapid increase in population? that it will discourage thrift?

D. 1. "Under individualism the scheme of prices is the guide to production. It effectively regulates its nature and quantity. For this device socialism would substitute the caprice of department heads. The result would be a great loss in efficiency." Examine carefully this argument.

2. "Under socialism a higher value would be placed upon the mediocre man. But a socialistic state might be expected to fail to single out for important work men of real genius, to give them opportunities for their work, and to reward them properly. The result of

this failure would be a permanent loss to the whole of society." Argue for or against this conclusion.

3. "The contrast between inefficiency in politics under public management and efficiency in business under private management is the contrast between the inefficiency of socialism and the efficiency of individualism." Is the contrast a true one?

4. "The immediate gains to the masses through socialism would be more than offset by the ultimate losses which the system, when once thoroughly established, would bring about." State and appraise this argument.

5. "The gains which socialism would effect in the more equitable distribution of wealth would be more than offset by the losses in productive efficiency which it would entail." Do you agree?

6. "Socialism is coming, not by conscious choice, but by the cumulative action of a large number of seemingly isolated tendencies. Evidence of this is to be found in our almost complete regulation of the railways, in increased supervision over corporations and capitalistic monopolies, in the conservation of natural resources through public action, in the regulation of immigration and of population, in the measures being taken for the elimination of economic insecurity, etc." Cite the evidence furnished by the preceding study of tendencies toward an enlargement of social, at the expense of individual, rights. Does this evidence confirm the statement that socialism is coming? are the tendencies enumerated bound to continue and to grow?

7. "After all, the real question is not whether one is an individualist or a socialist, but how much of an individualist and how much of a socialist he is." What do you think of this way of putting it?

97. Social Panaceas

A. The multifarious and bewildering character of our industrial society and the interdependence and complexity of its problems has been insisted upon all through our study. At its close it can perhaps be emphasized in no better way than by presenting a number of panaceas, each the work of a "practical" man, and each based upon the conception that our industrial system is a simple and easily managed one.

C. 1. Account for the prevalence of panaceas for economic and social ills. 2. State the theory implicit in each of the proposals given, determine its assumptions, and criticize them. 3. Of what value is a study of social panaceas?

D. 1. Why is it such a common habit to explain things in terms of a single cause? Are there problems in which such an explanation is valuable? Is such an explanation valuable in a consideration of "current economic problems"?

2. "The opinions of the business man on fundamental economic problems are generally unsound; for he, like others, has a habit of generalizing from his own particular business and applying his conclusions to industrial society as a whole. Since their application is to a situation far larger and more complex than the range of his observation and experience, they are almost certainly invalid." Explain in detail.

3. "The business man's concern is with an individual business; that of the political executive or legislator with industrial society as an entity. They are dealing with problems different in subject-matter, in method of approach, and in remedial proposals." Explain. Does this imply that an executive has no use for knowledge of business? that there is no place for the business man in politics? What does it imply?

4. Why is there such a disposition, particularly in America, for every man to be his own political economist? Is this disposition on the increase or the decrease? Is this disposition in any way to be connected with the prevalence of panaceas?

5. "Popular belief in social panaceas is responsible for an anti-intellectual attitude toward current problems. It prohibits the careful consideration, the painstaking analysis, and the deliberate formulation of programs necessary to deal with them intelligently. It indicates that, so far as economics is concerned, the public is still living in an age of superstition." Explain this argument. What is it worth?

6. Is the prevalence of panaceas due to a conception of society in static and mechanical terms? If the "evolutionary," or "organic," viewpoint should become dominant in the popular mind, would panaceas lose their hold?

98. Economics and the Future of Society

A. If the course of study, which is just drawing to a close, bears any meaning at all, it is that our current problems are slowly developing affairs, that they are intimately associated with each other and with the developing society of which they are aspects, that they transcend the mere economic side of life, and that their "solutions" are to be sought in a comprehensive, long-time, and ever-developing program. For a very tentative statement of the ends, agencies, and proposals constituting such a program the student is now ready. The very shortcomings of his attempt should show him quite clearly his particular lack in factual knowledge, economic principles, general social theory, and a philosophy of life. It should mark, not an end, but a new beginning of study.

B. General Introduction, Introduction to XIV.

C. 1. What factors require that economic problems remain always with us? 2. Give examples of some of the more immediate and obvious agencies that can be used in a solution of current problems; of some of the more immediate and obvious things which can be done. 3. Illustrate the part which literature and art are likely to play in social and economic reform. 4. Can a program aiming at less rather than more immediate good be put through in a democracy? in a system dominated by the pecuniary calculus?

D. 1. "The limited amount of our natural resources, the lack of identity between the interests of social groups, and an antithesis between present and future values guarantee to society economic problems for all time to come." Explain. Does this argument imply that economic problems are equally acute in all ages?

2. "Modern industrial culture can be characterized by the three adjectives, industrial, pecuniary, and urban." Show that each of these implies the other two. Show, by clear-cut examples, how the nature of economic problems has been affected by the character of our social system. Show that our problems are quite different from what they were in the earlier stages of industrialism.

3. "Current problems are not affairs of the moment. Their temporary forms are mere passing aspects of larger and more complicated problems. For their beginnings we must look into the far-distant past. They are in process of gradual solution. Each involves something of almost every phase of our complicated social life." By taking as an example some one of the problems we have discussed, illustrate each of these statements.

4. "No current economic problem can be properly understood if it be studied in isolation." Illustrate from the topics discussed. Can economics be properly understood by one who knows nothing of history? of political science? of philosophy? Show the contribution which each of these subjects makes to an understanding of economics.

5. "A solution of an economic problem cannot be found by a calculation of the utilities and disutilities likely to follow alternative proposals. Every proposal involves a distribution of costs and utilities between the present and the future, and between different classes. The consequences of every proposal are to be found in every aspect of life, economic, political, religious, social. There is no magic instrument of measurement which can unlock such a riddle." Illustrate by reference to the alternative proposals for solving some of the problems discussed above.

6. "It may be that somehow or other problems get 'solved'; it may be that they merely become obsolescent and, like old machinery,

are 'scrapped'; it may be that they are forced to surrender their places to newcomers; or it may be that they tend to lose their identities in those of other and larger problems." By concrete illustration show how problems have been "solved" in each of these ways.

7. "It is usually much more accurate to speak of the development, rather than of the solution, of economic problems." Explain, say, by showing how, time after time, the problem of the public and the railroads has been solved.

8. "The solution of an economic problem involves a succession of choices between conflicting and incommensurable values." Explain in detail with illustrations. Does this statement, if true, encourage or discourage the attempt to deal with problems in isolation?

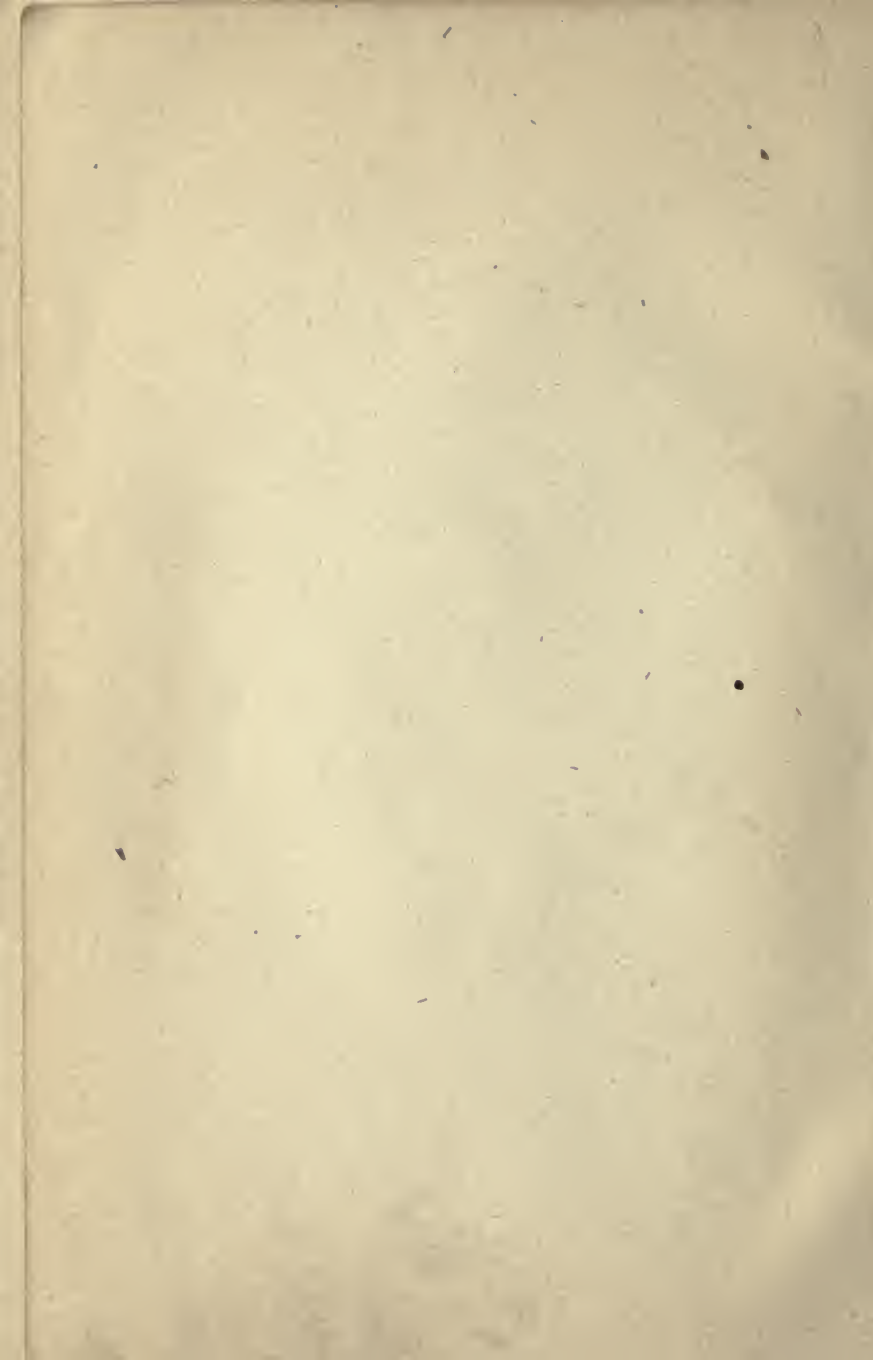
9. "Both the very existence and the solution of problems depends upon contemporary social philosophy." Explain and illustrate.

10. Reduce the problems which have been discussed in this course to the smallest number possible. Is there any unity among the few that you have left? Can they all be reduced to a single problem?

11. Formulate, in as great detail as necessary, a comprehensive and consistent program covering all the problems which have been discussed in this course. Begin with a statement of the general theory of the ends you wish to accomplish, the agencies you wish to employ, and the methods you wish to use. Follow this with a clear-cut statement of your several proposals, being sure that they are properly classified.

12. Make a careful criticism of the tentative program which you have formulated. Enumerate the points upon which you are not sure of the facts, of economic principles, of general social theory, of your philosophy of life. What further studies in economics and in the humanistic sciences does it appear that you should make? What seems to you to be your next task?







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