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EXERCISES IN CURRENT ECONOMICS

HAMILTON

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MATERIALS FOR THE STUDY
OF ECONOMICS

EXERCISES IN CURRENT ECONOMICS

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By

WALTON HALE HAMILTON

REVISED EDITION



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PREFACE

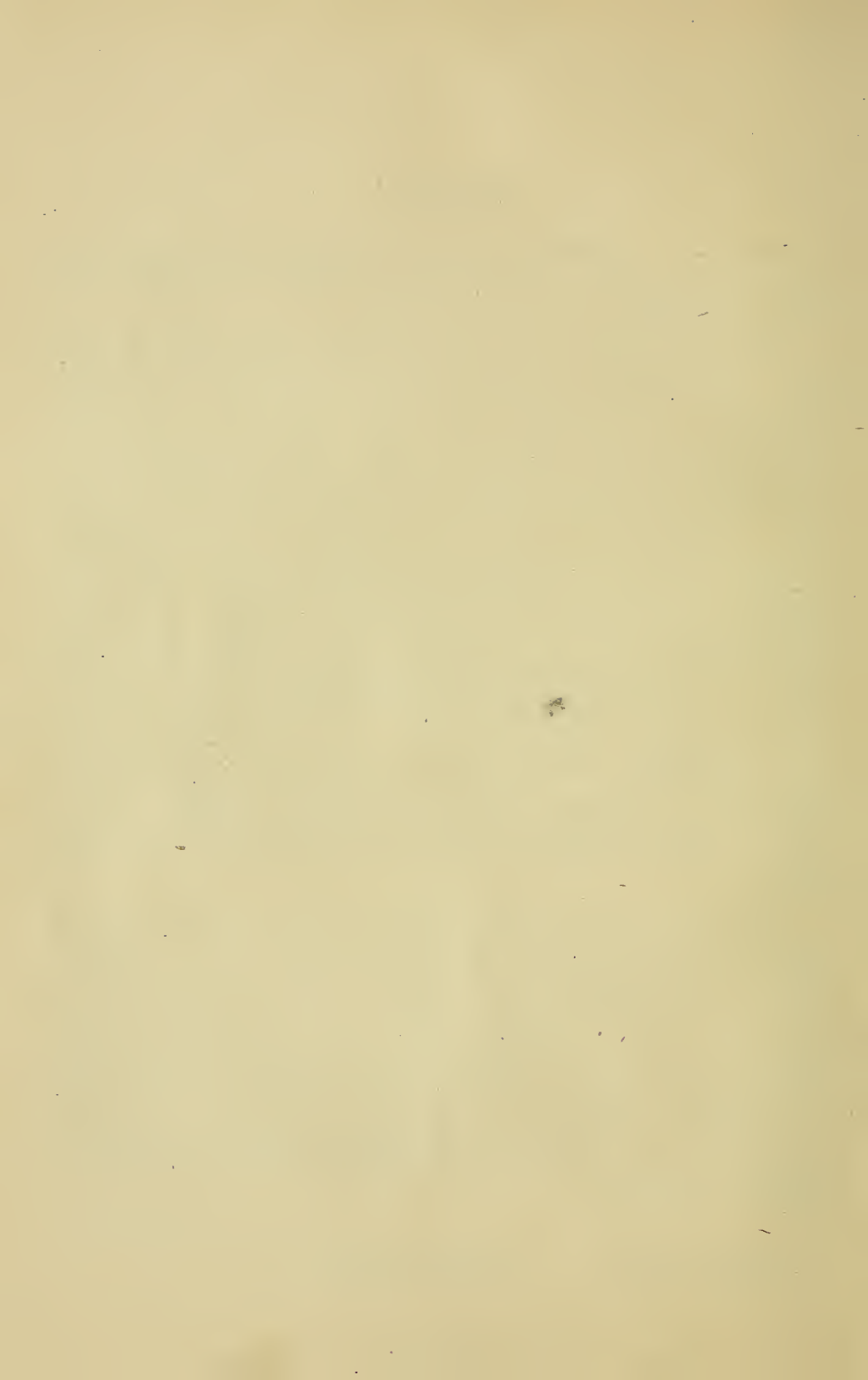
This book of exercises has been prepared to accompany the author's *Current Economic Problems*. It follows the larger book, division by division and section by section.

Each of the lessons which make up this volume falls into four parts. The first gives a short statement introductory to the topic announced. These statements are supplementary to the introductions to the chapters of the larger book. The second gives, by number, the readings in *Current Economic Problems* which fall under the topic for discussion, and other readings which throw light upon the matter under consideration. The latter are intended to show something of the many cross-currents in economic life and to indicate the intimate connection between seemingly independent problems. The third contains a list of questions bearing upon the reading. An attempt has been made so to word them that they do not call for mere repetition; 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 reading. They are intended to test the student's acquisition of something more than the mere language of economics, his assimilation of readings presenting divergent materials, 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 author is under serious obligations to the authors of several books of problems for many of the exercises in this volume. Wherever possible, acknowledgment has been given. Where he has taken the liberty of restating a problem to adapt it to the materials here used, it has seemed unfair to charge it to the account of the original author. Moreover, this customary designation fails to express the full measure of the author's obligations; for the general influence exerted upon the method here employed by those who have published books of problems has been so great that indebtedness for specific problems is small by comparison.

W. H. H.

AMHERST COLLEGE
December 8, 1919



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I. THE PROBLEM OF CONTROL IN INDUSTRIAL SOCIETY

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 readings in *Current Economic Problems*, by number; **C**, for questions based directly upon the readings; and **D**, for problems based indirectly upon the readings.

I. Modern Industrial Society

A. Our economic problems have their being, not only as a part of a particular economic system, but as part of a peculiar culture at a particular stage of its development. 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 of our material life and activities there lies a scheme of standards, aptitudes, and habits of thought which give to the Western world a spirit and a 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 a myriad subtle ways conditions their solution. To understand our problem aright we must know something of the current stage of this developing culture.

B. Readings: Introduction to I, 1, 2. See also 49, 310, 385.

C. 1. Why should an account of the peculiar characteristics of modern industrialism be presented at the beginning of a course in economic problems? 2. What bearing has each of the five enumerated characteristics of modern industrialism upon the nature of economic problems? 3. In what sense is it correct to say that we are at the end of the "exploitative period" in American economic development? 4. In what important respects is American industrial society different from what it was at the end of the Civil War?

D. 1. Compare American industrial society with Chinese society in as many respects as you can. What gives American industrial society its individuality?

2. Why was the doctrine that the state should keep hands off and allow the individual to work out his own destiny so popular in America in the nineteenth century?

3. Connect the abundance of our natural resources with the small number of serious problems which American society has confronted in the past.

4. What new issues were appearing in our political life during the decade before the beginning of the European War? What was their importance?

5. State as specifically and as definitely as you can what is involved in the problem of "reconstruction."

2. The Nature of 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?¹ 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 possibility of some of us becoming better off, or worse off, than we are at present, at the expense of others of us. Into this larger 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. Reading 3. Make a rapid survey of the Table of Contents of *Current Economic Problems*.

C. 1. What is an economic problem? Give examples. 2. What is meant by calling a problem current? 3. Are there many economic problems or one economic problem? 4. Can economic problems be solved? 5. If a problem involves a "choice between conflicting and incommensurable values," how can it be disposed of?

D. 1. Make a list of the more important questions which you have heard discussed as problems of "reconstruction." Add the other important problems of the day.

2. Which of these problems are primarily economic? Which, primarily non-economic, have important economic aspects? Which are non-economic?

¹ Edwin Cannan, *Wealth*, v.

3. How long has each of the following problems been with us: rich man and poor man? employer and employee? the ratio of population to industrial equipment? competition and monopoly? industrial crises? unemployment? the regulation of railway rates? the valuation of public-service utilities? the organization of national resources for war? reconstruction? Show the beginnings of any of these problems. What of the end?

4. Use your knowledge of any of the problems enumerated above to illustrate the statement, "Economic problems are in process of gradual solution."

5. Make a list of a dozen problems which were of moment, ten, or better still, twenty years ago. What has become of each of them? What are the various ways in which they have been disposed of? How, after all, do economic problems get solved?

6. In the solution of these problems what agencies of control were used? Was an effort made to secure immediate results or 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?

7. 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 with the appearance of new and unexpected "evils"?

8. 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?

9. Can an economic problem, say that of the proper wage for miners, be studied and solved in isolation? Has it any relation to the problem of the high cost of living? to the problem of financing the war? to the problem of public utilities? to the problem of the relationship of business to industry? to immigration? to Americanization?

10. State two alternative solutions to the problem with which you are best acquainted. Make a list of the probable consequences

which would attend each solution. Are the consequences all economic? If not, what kinds of non-economic consequences are involved?

11. In your lists do you find all the good consequences on one side and all the bad on the other? How are good and bad economic consequences to be measured against each other? How are economic consequences to be measured against political, ethical, social, and religious consequences?

12. How is a judgment between your alternative solutions to be made? Does your solution dispose of the problem in its entirety or only of a current aspect of it?

13. 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 scheme of 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?

14. "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 examples show 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 isolation? From this viewpoint show the necessity of a general historical setting for the problems.

15. 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 the problem in terms of its general historical setting.

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

3. 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, for that matter, 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. Readings 4-6. See also 55, 56, 247, 278, 367, 372, 385, 402.

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

D. 1. Can we as a national community determine what our future society is to be?

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

3. Let us suppose that wonderful improvements have just been made in the art of printing, but that their use is limited to "yellow" newspapers. Is society the better for the improvement?

4. "To argue against control of industrial activity on the ground that such artificial restraint prevents the survival of the fittest is to argue in a circle." Prove.

5. 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.

6. "The greatest discovery of the nineteenth century is that we are on our way." Why?

7. "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 ideal is implicit in this quotation? Do you know of any people who have consciously acted upon it? What scheme of the distribution of wealth does it suggest? Should we adopt this ideal?

8. "Social progress consists in bettering the material conditions of the masses." Answer the question asked under 7.

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

4. The Control of Economic Activity

A. If, some time or other, we are to formulate an economic program, we must learn what the agencies of control are, how they act, and how they can be used. We must come to appreciate the vast and complex system of institutions which in the past have been slowly fashioned and which may be used singly or in combination. If their bewildering nature makes understanding hard and manipulation difficult, it merely evidences the multifarious and delicate work which they can be made to perform. It is the object of this lesson to make a beginning of an understanding of this system.

B. Readings 7-9. See also 40, 43, 63, 68, 336, 385, 392, 397, 404.

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 only indirectly? 5. What agencies mentioned in the readings are most often overlooked in programs of control? 6. By using examples, illustrate the dangers of overlooking important agencies of control.

D. 1. "A distinction between evolution and progress makes inevitable the elaboration of a program of 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 having to use control if we would." Show why quite definitely.

3. Why in the past has so important a place been given to the state in theories of control?

4. Enumerate agencies of control habitually in use whose presence was made much clearer by the war; agencies of control brought into use by the war.

5. What agencies of control were used to further each of these war-time activities: enlistment of men? floating of the "Liberty Loans"? sale of War Savings Stamps? production of an adequate supply of munitions? maintenance of the national morale?

6. Which are the more effective agencies of 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?

5. The Theory of Laissez Faire

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

B. Readings 10-16. See also 129, 136, 287, 335, 347, 348, 394.

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 *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 to find laissez faire generally accepted?

3. Is there any connection between the appearance of the so-called self-made man 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 method of production?

6. Write down three or four arguments in favor of *laissez faire* which you have recently heard. Compare them with the "classical" statements given in *Current Economic Problems*.

6. 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 as it opposes them at others. The question of its validity, accordingly, becomes not one of the general theory but of the specific proposals which make it up.

B. Readings 17-19. See also 9, 24, 25, 144, 382.

C. 1. Do you accept the principle of utility? 2. What is its relation to *laissez faire*? 3. Detect evidence of changing opinion in Mill's mind when he wrote the discussion resumed in Reading 18. 4. Wherein do you differ from Mill in his opposition to governmental interference? in his statement of the province of government? 5. What interference does the *laissez faire* theory take for granted?

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

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

3. Can *laissez faire* be *laissez faire* and take the policemen, property, and the courts for granted? What else does *laissez faire* take for granted?

4. "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.

5. "Laissez faire was formerly a cry for militant reform." What is it now?

6. "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 in detail this change.

7. "The interference by the state with the struggle of individuals for material success promotes inefficiency and prevents the survival of the fittest through whom alone society can obtain the production of an abundance of the good things of life." Overlooking minor points, criticize the argument that the absence of restraint will cause the survival of those fittest to produce.

7. The Protest against Individualism

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

B. Readings 20–22. See also 2, 70, 201, 236, 238, 385, 387.

C. 1. What connection is there between the machine and poverty? Is the connection inevitable? 2. Why do we try to explain so much of current history in terms of 'the frontier'? 3. What new issues involve changes in mental attitude? mere extensions of old ones? what particulars does Brown's statement represent? In what respects is it out of date?

D. 1. Has American prosperity been due to our "fundamental institutions," our "individualistic policies," or "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, they have not been matters of great importance? Why are so many matters of tremendous import just now appearing on our horizon?

3. Does the machine favor the concentration of wealth or its diffusion?

4. Has the result of the war been a greater concentration or a greater diffusion of wealth? What groups are in better economic positions because of it? What groups are in poorer economic positions?

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?

8. The Reappearance of the Problem of Control

A. In response to changing conditions there is appearing a new demand for control. In antithesis to the theory which is passing, it generally subordinates the interests of the individual to those of the group. It seeks solutions of our new problems in "programs," widely in spirit and content from those of the nineteenth century. Its proposals are gradually becoming more definite. The factor of increasing importance in any consideration of economic problems.

23-25. See also 7, 43, 341, 345, 350, 383, 384.

Compare Green's theory of individual liberty with Mill's. Apply Green's theory to several economic problems.

3. On the basis of these readings outline the revolutionary argument for letting things alone."

4. Gathered from supplementary reading what faire is put to the actual test. 5. Make a care-

own's statement of the limits of the province of s.

D. 1. "Social reform is only evolution conscious of itself." With this as a text, preach a sermon against the biological argument 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 real questions at issue are the nature, degree, and objects of control." By illustrations show the negative proposals implicit in 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 their difference as to how this identity is to be secured.

4. "The aim of the advocates of laissez faire was not to eliminate certain functions of control, but to transfer them from the state to other agencies." What were the functions in question? To what other agencies were they transferred?

5. Has liberalism in the last hundred years changed its end? its program? its theory?

6. "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 control?

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."

8. Are rights, privileges, functions, responsibilities, opportunities, abilities, and needs, things which exist in themselves, or is their existence conditioned by the general situation of which they are aspects? What relation has your answer to this question to your theory of control?

II. THE ANTECEDENTS OF MODERN INDUSTRIALISM

9. Pre-industrial 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. Second, they made important 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 groups.

B. Readings: Introduction to II, 26-31. See also 46, 113, 218, 398.

C. 1. What is meant by the "self-sufficiency" of the manor? 2. Compare the position of the villein with that of the agricultural laborer today; with the industrial laborer today. 3. Give American illustrations of "itinerant" and "home" work. 4. What gild practices seem to you most peculiar? 5. What part did the gild play in industrial development? 6. Cite examples of "household industry in America" which have come under your observation.

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.

2. Why were industrial depression, unemployment, and the high cost of living not serious problems to the manor? What was the nature of economic disasters which mediaeval people had to fear?

3. "The production of an agricultural surplus is a necessary prerequisite to a differentiated industrial system." "The size of the agricultural surplus fixes the limits 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.

4. 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?

5. "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 into English and illustrate.

6. Compare the market for which goods were produced by the gildsman with that which the modern business man has to consider. What differences do you note in the "business" problems involved?

7. "To use modern terms which were meaningless then, the gildsman was at once employer and workman, capitalist and laborer" (Ashley). Compare the "labor problems" of the gild and the modern industrial economy. Could labor unions have grown up in the mediaeval town? Could socialism have arisen?

8. What contribution did gild economy make to each of the following: the market? the pecuniary system? the enlargement of the industrial community? modern industrial organization? modern technique? modern industrial groups?

10. Pre-industrial Commerce

A. Through commerce the small and self-sufficient communities of the mediaeval world gave place to the complex system of interdependent groups which we call modern industrialism. There has been a tendency, imperfect, to be sure, and arrested now and then, not only toward 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 the political and economic problems of our day.

B. Readings 32-35. See also 47, 60, 62, 134, 168, 169.

C. 1. In what respects do the histories of commerce with which you are familiar fail to meet Forrest's definition? 2. Account for the opposition of the mediaeval church to commerce. 3. Did the

commercial activities of the church establish permanent commercial relations? 4. Did they tend to establish habits of thought and practice favorable to commercial development? 5. Is there 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 part played by "economic differentiation and integration" in this process.

2. Make a list of influences in the Middle Ages which were favorable to the development of commerce; unfavorable to the development of commerce.

3. "As an active instrument in the realization of a universal society commerce deserves to rank as the legitimate successor of the mediaeval church." Was this statement written before or after the war? How true is it?

4. Show the dependence of commercial expansion upon an established political and legal system. For commercial development must the legal and political structure be rigid or flexible?

5. What part has commerce played in the enlargement of the political unit? in suppressing local disorder? in rendering social arrangements more certain? in standardizing legal codes? in preventing war?

6. "The interdependence which has come as the result of commercial development requires a stable international order." "By an arrangement between peoples international relations must be changed from chaos to order." Connect the development of commerce with the necessity of a political and legal system governing relations between nations.

11. Pre-industrial Policy

A. At many points mediaeval is strikingly in contrast with modern policy. 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 business activity alike seem strange to us. However, at present we are attempting to reclaim some of the ground which extreme individualism gave up and to re-create some of the values of the gild system. Yet

the guild system was no industrial utopia. It may perchance be, if all the facts could be known, that our standards of business ethics are well in advance of those of this idyllic period.

B. Readings 36-41. See also 380, 383, 385.

C. 1. Compare the property rights of the lord of the manor with those of the capitalist employer today. 2. Compare the position of the serf with that of the present employee. 3. Account for the spirit of solidarity in the mediaeval town. 4. In the town was honesty the best policy? Did the guildsmen think so? 5. In as many respects as you can contrast guild ideals and practice. 6. What problems connected with the welfare of the laborer were adequately answered by the plantation system? What problems were ignored?

D. 1. Is there reason to believe that mediaeval men acted from motives different from those which impel men today?

2. "The guild period was the golden age in industrial society. Class lines were obscure, the felling 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 practice of the guild period shows the former to be sheer hypocrisy." What evidence lies back of each of these generalizations? What is overlooked in each? Were the ideals hypocrisy? Of what value were they?

3. "Property is a bundle of equities rather than a single right. Under the manorial system these equities were distributed between lord and man. Now they all belong to the employer." Explain in full. Is this statement the whole truth?

4. "The whole body of municipal 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" (Ashley). Do you accept this statement?

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

6. "The present tendency is back toward authoritative regulation of industry, toward regarding the industrial system as an instrument, and making it further the ends of society." Cite evidence in support of this statement. Of what value is mediaeval experience in solving the problems of control with which we are now confronted?

12. Pre-industrial Rights and Duties

A. Mediaeval life and thought found representation in an economic theory whose early expression is ethical and dominated by a sense of justice. This theory is to be found in the doctrine of stewardship, the theory of just price, the low value set upon commerce, and the prohibition of usury. The first two of these, temporarily eclipsed, have re-emerged in very recent proposals for authoritatively regulating industry and fixing wages. As the mediaeval scheme passed the emphasis was thrown upon the rights of the individual. Our great need is to build up a theory of responsibility to parallel the theory of rights which grew up just before the coming of modern industrialism.

B. Readings 42-45. See also 330, 331, 347, 384, 387, 400.

C. 1. In what terms would the modern sociologist express Aquinas' doctrine of stewardship? 2. What conditions led to the elaboration of the bill of rights? 3. State its leading provisions. 4. Account for the emphasis which American industrial development has placed upon "rights" as against "responsibilities." 5. Show the need for a modern bill of responsibilities.

D. 1. Bring to the class any arguments, discussions, or proposals which you have been able to find which have underlying them the doctrine of stewardship.

2. "Should a dispute between mine operators and miners over the terms of employment be regarded as a private matter of the two parties?" Explain in full.

3. "Because of machinery and prices our productive system is a co-operative one. There should be some test by which industrial agents could be held to their responsible work of production." Is the present standard of ability to sell their products or services at a profit an adequate test?

4. "In our society different functions are assigned to different agencies. If one does not perform a social function, he should be denied a share of the goods produced by society." Show that the theory underlying this statement is at variance with the theory of "natural rights."

5. If the unborn could specify the conditions which must be met before they came into the world, for what might they reasonably ask? Draw up your answer in the form of a "Modern Bill of Rights."

III. THE INDUSTRIAL REVOLUTION

13. The Antecedents of the Revolution

A. A comprehensive study 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 nationalism, the settlement of America—all of these had their part in determining its coming. Commercial and geographical 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 life.

B. Readings: Introduction to III, 46, 47. See also 2, 12, 35.

C. 1. Compare the industrial conditions on the eve of the revolution with those of manorial economy; of gild economy. 2. Was the laborer's position under the domestic system better or worse than it is now? 3. Is there any connection between "Spanish gold" and the steam engine? 4. Why did not the revolution come a century earlier?

D. 1. Why had so few improvements been made in technique 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; the permanent place of the laborer in an organized community.

3. "It is only when 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 old system was bound to be revised.

4. "The settlement of America was in no little measure responsible for the great inventions which marked 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 inventions, 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?

14. The Nature and Scope of the Revolution

A. Gradual as was its course, the industrial movement which we are studying wrought a great change in social life and values. The technique which is 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 groups upon a pecuniary basis. It resolved society anew into social strata. Finally, in a myriad ways, in the industrial, political, ethical, religious, and intellectual aspects of life, it established new standards, created new institutions, and raised new problems.

B. Readings 48, 49. See also 95, 114, 126, 393.

C. 1. When did the Industrial Revolution begin? end? 2. What factors do you regard as of the greatest importance in the development of the new technique? 3. Illustrate how very slowly the principles of machine industry have been extended throughout the industrial system. 4. Give examples of establishments in which the new technique has only a partial hold; of industries to which as yet it has been little applied. 5. Was the "capitalist" a product of the revolution? the "wage-earner"? 6. By illustrations show how many and what aspects of life have been affected by the revolution.

D. 1. "The economic discovery of America made the craft technique inadequate." What is meant by the "economic discovery" of America? How did it make the older technique obsolete?

2. Point out the problems involved in the transition from the older to the newer technique; 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 of today are associated with each of these three changes? What essential changes have been omitted from the list above?

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 the development of science to industrial development.

6. In a discussion of the revolution why is so much attention given to 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?

15. The New Industrialism

A. The new industrialism has its technical basis in the closely related capitalistic methods of production, the machine process, and the 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 gives rise.

B. Readings 50-53. See also 84, 91, 92, 93, 115, 248, 315, 316.

C. 1. Has capital caused an immense amount of modern wealth to be socialized? 2. Explain the definition of the factory system in terms of some establishment with which you are familiar. 3. Of what practical importance is the concept of the "machine process"? 4. In what ways has the organization of the home been affected by the coming of the machine?

D. 1. Is the argument that capital is socialized wealth a plea for an industrial aristocracy?

2. "The individual is compelled to serve society by turning back into the productive process 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. 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 the various ways in which the machine process has found expression in the educational work of our colleges and universities.

6. Show by examples how the machine process has affected our daily habits, our ways of thought, and our attitudes on public questions.

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

16. The World of Labor

A. No aspect of the revolution has received so much attention as the rise of the "wage system" and the "industrial proletariat." Accordingly it seems well to emphasize this phase of the great transformation of society by presenting a selection upon the attitude of

labor toward machinery and two conflicting views upon what the revolution has meant for labor. The questions raised here will appear time and again in our later study. In fact a large part of *Current Economic Problems* is concerned with the problems of labor in modern industrial society.

B. Readings 54-56. See also 234, 247, 255, 281, 318, 319, 321, 343, 372.

C. 1. What evidence have you upon the subject of the attitude of labor toward machinery? 2. Account for the difference in views between Arnold and Benson upon what machinery has done for labor. 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 has this to do with the welfare of the workers?

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

4. "The Industrial Revolution brought into a society unprepared to deal with them problems of hours of labor, child labor, industrial accident, and unemployment." When the machine was introduced, why was care not taken to guard against the evil effects which it brought?

5. "The Industrial Revolution took away from the laborer his property rights in his trade." Explain what is meant. Do you agree?

6. In speaking of the new industrial system made possible by the machine technique Macaulay said: "Nowhere does man exercise such dominion over matter." Hammond has transposed the words to read: "Nowhere does matter exercise such dominion over man." Which statement is true?

17. National Expressions of Industrialism

A. In the countries which it has entered modern industrialism has produced many common effects. But its introduction has also left differences in its wake. For example, the native industrialism of England is a thing quite different from the adopted industrialism of

Germany. The industrialism of America, which has been allowed to develop to meet the wishes of many men of many minds, is quite different from the state industrialism of the Central Empires (that were) that had a single clearly defined end. To understand industrialism aright, we must see something of the varied national influences which are associated with it.

B. Readings 57 and 58. See also 2, 61, 112, 115, 120, 126, 128, 142.

C. 1. Could Germany have succeeded with the American industrial system? 2. Why was the machine system introduced into Germany under the auspices of the state? 3. What exceptions do you take to Shadwell's account of American efficiency?

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

2. "England's machine system is less efficient than that of Germany. England has paid the price that the inventor and developer always pays. Germany has secured the rewards of the appropriator." Explain in full. Do you agree?

3. What has England done with the surplus of wealth which the machine technique has made possible? America? Germany? Has the problem of the surplus been adequately solved?

4. "The war has shown that every country is producing a surplus of wealth over and above the necessities of its population. In fact it was this surplus which supplied the materials with which the war was fought. The real problem of reconstruction is to secure the use of this surplus which will mean most in the common wealth." Define the "surplus." Is the statement above substantially true? If the quotation above indicates a problem, state it in more definite terms.

18. The Extension of Industrialism

A. The Industrial Revolution is still in process. Industries which have long known the machine 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 machine system. The competition of industrial and non-industrial cultures, the victories of the former, the ever-expanding area of the modern industrial system, and the reactions of this contact upon the system itself are of great current importance and fraught with grave future meaning.

B. Readings 59-62. See also 160, 222, 244, 246, 332.

C. 1. What aspects of Western and of "primitive" culture are coming in contact along the "margin of civilization"? 2. Compare in detail the industrial system of the West with that which is being established in the East. 3. Of what use is Johnson's distinction between "capital proper" and "exploitative capital"? 4. Do you accept the argument connecting exploitative capital with war? 5. Connect Germany's "industrial penetration" with the European war. 6. 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 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 further 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 did America before the war export so little capital? Why are we now exporting so much capital? What political and economic import do you attach to the change?

4. Shall America float large loans to finance European reconstruction? Point out the effects of giving and of withholding loans upon domestic policies, e.g., those relating to the high cost of living and to labor. What is the relationship of this policy to the proposed League of Nations?

5. "In the industrial sections of the world a tendency toward uniform prices prevails. In the non-industrial sections prices are radically different." Trade between parts of the former area can yield profits of what size? between the industrial and the non-industrial sections? 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?

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

7. "So long as concessions are granted and nations compete to bring the blessing of industrialism into primitive lands, there will be wars." Can this competition be regulated by rules? Can international arrangements reduce this competition to terms of "law and order"? What are the "stakes of diplomacy"? What is the "League of Nations" in economic terms?

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

IV. THE PECUNIARY BASIS OF ECONOMIC ORGANIZATION

19. Price as an Organizing Force

A. Perhaps our most important problem is in the improvement of 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 the economic order. One of the most important, generally overlooked in lay discussion, is price.

B. Readings: Introduction to IV, 63 and 64. See also 12, 71-73, 116, 135, 271.

C. 1. What is meant by the "economic order"? 2. Cite examples of your own which indicate the existence of an economic organization. 3. Enumerate the problems which would have to be solved by a committee which authoritatively set about supplying New York with consumptive goods. Could they solve the problems?

D. 1. "In place of the 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 organization and a plan correct?

2. What determines the number of each of the following: civil engineers? bank presidents? hod carriers? horses? automobiles? potatoes? pounds of sugar? books on economic problems? wheat acreage? steelmills? linotype 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.

5. Following the suggestion of Cannan, draw up a report on our economic organization for the Association for the Advancement of Science of Saturn.

20. The Organization of Prices

A. If each price were separate and distinct in itself, there could be no economics. The more important economic problems are associated with the fact that our prices constitute a vast, complex, and intricate system of mutually dependent items. To understand economic organization, we must learn something of what this system is and of the influence it exercises over our thought, lives, and action.

B. Readings 65, 66. See also 68, 93, and 396.

C. 1. Why is it impossible to represent the price system by a diagram? 2. Give illustrations of your own of the influence of the price system upon the conduct of business. 3. Tell the story of the constraints exercised by the price system over your actions in the course of a day. 4. What persons are free from the constraints of the price system?

D. 1. "Our economic co-operation is regulated through price variations." Explain. How much truth is there in this?

2. "Money is the incentive to all economic activity." "Because money provides the counters which measure commercial triumphs, we are likely to go astray in our analysis. Those who play cards for cowries are not mastered by a passion for cowries." What is the essential difference between these theories of motivation? Which is correct?

3. Make a comparison between the restraints which the price system and the government exercise over individual conduct under the following heads: source of power, way in which it is exercised, range of activities affected, ease with which decrees are enforced, amount of friction involved in enforcement, speed with which changed conditions are reflected.

4. "The content of activity varies, not because human nature changes, but because changing institutions infuse a changing content into conduct." Account for the difference in behavior between the mediaeval guildman and the modern unionist; the feudal lord and the modern business man.

5. "The price system causes the less immediate to wait upon the more immediate; the more general upon the more particular value. Its influence is decidedly conservative." Explain, giving illustrations of your own. Do you agree?

21. Pecuniary Competition

A. Another institution which plays a prominent part in organizing industrial society is pecuniary competition. Through its selective tests production is organized, distribution effected, and consumption regulated. Its work is effected through the agency of the price system. It is no antithesis to co-operation, but the agency through which the varied elements of our industrial world are brought together into active co-operation.

B. Readings 67-70. See also 14, 64, 125, 136, 172, 247, 348.

C. 1. Indicate types of competition found under different schemes of organizing society. 2. In terms of Cooley's argument show how competition organizes college activities. 3. What is wrong with Kingsley's conception of competition? 4. Show, by illustrations of your own, what is meant by determining "the plane of competition." 5. Can competition itself have an ethical character? If not, what is it that is 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 automobile?

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 plane of competition be changed in any of these cases?

3. Is there any competition within an establishment, such as a college or a factory? within a monopoly? Would there be competition within an industry under socialism? between industries? 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, and to use unfair methods." Is this temptation inherent in the nature of the industrial system? Can you mention instances of businesses unable 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." What confusion exists in the mind of the author of this quotation?

6. "It is only through competition that the price system 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, near and remote. 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? Before the war most of us would have answered this question in the negative. During the war we made use of many price-fixing devices. In general we can not as yet give an absolutely affirmative answer to the question; but we are less sure of the negative answer than once we were.

B. Readings 71-73. See also 121, 125, 270-72, 274, 350, 361.

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. Give examples of each of the methods of price-fixing during the war mentioned by Clark. 4. What current projects of reform involve price-fixing? 5. Why was the fixing of the price of sugar during the war successful? Or was it?

D. 1. Show by citing a concrete example; say that of the fixing of the price of wheat during the war, that price-fixing is a regulation of production, of distribution, and of consumption.

2. Cite as many examples as you can of price-fixing by custom or authority. How are these to be explained? Account for the fact

that the prices of so many of them have been changed since the beginning of the European War.

3. Do you favor a retention in time of peace of governmental control of the prices of basic food commodities, such as flour, meat and sugar. Why? Do you favor similar control of the prices of the standard raw materials of production, such as coal, pig-iron, etc.?

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

23. The Function of the Middlemen

A. Is the pecuniary organization of society which has been discussed 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. Readings 74-77.

C. 1. Were the "forestallers" condemned by mediaeval statute and by Washington analogous to our "middlemen"? 2. Make a general statement of the functions of the middleman. 3. Would there be middlemen in a socialistic society?

D. 1. "Farmers, miners, fishermen, and manufacturers have long been considered producers. But productivity was long denied to the services of ministers, teachers, musicians, buffoons, and skirt dancers." What conception of wealth was at the bottom of the distinction? It is correct?

2. "The seller of cut-glassware frequently makes 100 per cent on his merchandise; druggists not infrequently sell prescriptions at an advance of 200 to 300 per cent upon the cost of the raw materials going into them." Do these percentages in themselves indicate excessive gains?

3. A man who had paid \$8 for a barrel of apples found inside this note: "Dear Consumer: I was paid \$1.70 for this barrel of apples. How much did you pay? Producer." Is there evidence that either producer or consumer was cheated? Of what does there seem to be evidence?

4. "The high prices made possible by an agreement among 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 than the services to be performed warrant." Does your observation bear out or refute this conclusion?

24. Speculation

A. Those who insist that in our society pecuniary rewards may be wholly dissociated from services bring a second indictment, this time against the speculator. The charge against speculation is more serious than that against merchandizing. 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. Readings 78-83. See also 91, 92, 95, 112, 248.

C. 1. Distinguish, as clearly as possible, between investment, speculation, and gambling. 2. By illustrations show that the stock and produce exchanges are markets. 3. Point out the functions which each perform. 4. Draw up a glossary of terms used in speculation. 5. In terms of a hypothetical illustration explain step by step a typical speculative transaction. 6. Draw up a system of accounts covering the transactions mentioned by Stephens. 7. Give examples of "manipulation" of the market. 8. What features of speculative activity do you regard as good? as bad?

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 it soon at a profit; buying it on the margin with the object of selling at a profit.

2. Did you ever take a difficult course and hedge with an easy one? 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 lower the price of wheat by an addition of a paper supply sold by the bears." What fact is overlooked?

5. 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.

6. "The stock exchange, that delicate register of values, that sensitive governor of production, that acute barometer of the people's needs, could not be replaced by any process that any state socialist ever devised or suggested" (Conant). Explain each of the phrases above. What is the relation of speculation to the pecuniary organization of industry? For the performance of these functions what substitute can you suggest?

7. 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. In connection with the price system, competition, and the market it is necessary to take account of one other institution, the corporation. Superficially the corporation seems to involve a question of the form of the 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. Readings 84-87. See also 88, 92, 170, 209, 390.

C. 1. Draw up a glossary of the terms of corporation finance used in these readings. 2. What are the advantages to the corporation of issuing different classes of securities? 3. What are the advantages to the investor? to the public? 4. Is the management necessarily acutated by the pecuniary interests of the owners? 5. Is the welfare of the corporation dependent upon services to the public? 6. Show how the corporation encourages savings and increases the productivity of capital. 7. Does the corporation increase the productivity of labor? of managing ability?

D. 1. 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.

2. "In a corporation the interests of the owners, the management, and the public are out of harmony. These 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?

3. "The policy of a corporation is made by the management, not by the owners. To secure efficiency a scheme of incentives must be developed which will appeal to the former. The use of higher profits as an incentive is useless, for its appeal is to those who do not control policy." How much truth is there in this statement?

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?

26. The Organization of Trades

A. It is impossible at this point 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 trade union, property, and contract elsewhere. But to give a semblance of completeness to this part of our study one other question must be raised. We must look into the problem of how establishments are articulated into industries and how these industries are bound together into an industrial system. Here the inquiry is how economically this pecuniary organization administers the limited resources of society.

B. Readings 88-90. See also 3, 63, 91, 96, 114, 385, 396.

C. 1. Show that competition and association are complementary aspects of economic organization. 2. Give examples of complementary trades. 3. Show, by examples of your own, how changes in one trade affect many others. 4. What is meant by the "controlling power of demand"? Does demand actually guide production? 5. In its larger outlines is the industrial system adequately organized?

D. 1. "Demand, acting through the price system, secures such an apportionment of our limited productive energy between various trades as to secure various goods in just such proportions to each other as to give to society the maximum of utilities." Explain this theory in full. Do you accept it?

2. Are goods produced to meet a demand, or is a demand artificially built up in order that goods can be sold? Which has the greatest control over what goods shall be produced and in what quantities, demand, ownership of means of production, or management of production?

3. Why, during the war, did the government find it desirable to deal with industries as industrial units, rather than to deal with the several corporations making them up? Could the government, by using the customary device of bidding, have gotten just those goods produced which it required, and just the quantities desired?

4. "If we had an adequate organization of industries, we could insure a more economic use of the materials of production, a more adequate utilization of labor, and a much more prompt and efficient adoption of the latest improvements in machinery and processes." Elaborate the case for an organization of industries. What arguments are to be advanced against it?

5. "Until the industries of the country are adequately organized, it will be impossible to hold them to their responsibilities to the common wealth." Develop this argument.

6. "So long as labor is organized along trade, and not along industrial, lines, it will be impossible to build up a labor morale on the principle of labor's responsibility for full and efficient production." Why is American labor organized along trade lines? Can an industrial organization be secured? Will it give the advantages claimed for it?

7. One of seven competing grocers advertises in the newspapers. 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 the costs of production?

8. For the purposes of an economic program would you make a distinction between standard commodities and specialties?

V. PROBLEMS OF THE BUSINESS CYCLE

27. 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 market may disappear before the process is complete, causing financial loss to the producers. Second, 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. Readings: Introduction to V, 91-94. See also 65, 78, 90, 248.

C. 1. Show by definite examples the unknown factors in the problem with which "business enterprise" grapples. 2. Give examples of the most important lines of price relationship. 3. Explain the "sensitive mechanism of credit" by beginning at a point other than that 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 problems of efficient economic organization under the manorial system and under modern industrialism. If goods were produced to order, would 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 fluctuations 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 period 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?

28. The Economic Cycle

A. The most 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 theory of the "economic cycle."

B. Readings 95 and 96. See also 112, 250, 253, 372.

C. 1. What characteristics of modern industrial society make it sensitive to shock. 2. What relation has demand to sensitiveness to shock. 3. Beginning with "flush times" give Mitchell's explanation of the course of the cycle. 4. What advantages 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 well 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? accumulation of new capital? development of technique? application of machine technique to our continent? extension of industrialism? world-wide markets? war? fashion?

6. "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.

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, important as they are to the theory of the economic cycle, can best be shown by a comparative study.

B. Readings 97-100. See also 109, 132, 151.

C. 1. What criticism can you make of Lough's criteria for sizing up an industrial situation? 2. Give an account of the general conditions out of which the panic of 1907 came. 3. What is the relation of capitalistic monopoly to the rhythm of business activity. 4. Do you accept Hadley's statement of the order of events in a crisis?

D. 1. One of the fundamental conditions leading to a crisis is an improper balance between capital tied up in long-time and short-time processes. Explain, giving examples.

2. 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.

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

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 extension of our 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. In what other ways may the machine technique be regarded as a contributory factor in crises?

30. 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. We know that in nature it is a disorganization of the

structure of the industrial system. Some of the details of this disorganization can be gathered from the readings presented in *Current Economic Problems*. For a more adequate account the student is referred to the periodical literature of a period of depression.

B. Readings 101 and 102. See also 132, 250, and the Introduction to XI.

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. What are the best standards for measuring the volume of business activity? for measuring the volume of production? 4. State the characteristics of a depression.

D. 1. Trace out as accurately as you can the transition from the crisis of 1907 to the depression which followed.

2. From the material available in industrial and financial periodicals determine the status of production during the winter of 1907-8. What were the characteristics of economic organization during this period?

3. "In a depression the prices of some commodities are too high. The tension could be relieved and all our productive equipment could be put to work if these prices were lowered." Show the misconception of the nature of a depression which underlies this statement.

4. "In a depression manufacturers have equipment with which to produce goods, merchants have the facilities for selling them, and consumers have need for them. Everyone needs full production and everyone is willing to do his part to secure it." Then why is it that production remains below normal?

5. "In a depression it is to the interest of a manufacturer that other manufacturers keep their full forces of labor employed and that they do not reduce wages." Why?

6. Formulate a plan for avoiding the losses which inevitably accompany a depression.

31. War and the Cycle

A. Modern war, with its enormous governmental orders, stimulates "flush times." While it checks activity in some lines of trade it stimulates production in many others. Yet not all the gain of war is genuine. On the whole, prices advance faster than incomes,

much industrial equipment is converted to temporary uses, and a great deal of product is secured at the expense of permanently using up human and material resources.

B. Readings 103-7. See also 116, 130, 132, 190, 268, 314, 357.

C. 1. Make a list of the various industries which are referred to in the readings. 2. Study each under the following headings: essential or non-essential, demand for product, labor supply, raw materials, production. 3. From these readings what conclusions do you reach about industrial and financial conditions during a war?

D. 1. "During the war the demand for many goods was in excess of the supply." How do you account for this? Why were not demand and supply properly adjusted to each other?

2. By the use of a graph trace the rate on call loans in the New York market during the war. Account for the changes.

3. Trace the course of the rate of exchange on London month by month during the war. Account for the change.

4. From the material given in the price bulletins issued by the War Industries Board trace out the course of production and of prices of some staple commodity during the course of the war.

5. What is a "key industry"? What is a "limiting factor"? Why were these expressions so infrequently used before the war? Why were they so habitually employed by those who were charged with the administrative problems of the war?

6. What general conclusions about the nature of the industrial system and the organization of production are offered by the materials covered in this lesson?

32. 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, considerations.

B. Readings 108-12. See also 2, 96, 132, 253, 384.

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. "The greatest of our economic problems is that of eliminating the extreme rhythm of business activity. It is to prevent the overutilization of human and material resources during 'flush times' and their underutilization during periods of depression. This larger problem of economic organization as yet remains unsolved." Show quite specifically the importance of the problem. Why is it a problem of "economic organization"?

2. Make a calculation in pecuniary terms of the economic losses due to the rhythm of business activity in the United States from 1890 to the present. Enumerate losses which cannot be reduced to pecuniary terms.

3. "During a period of depression the government should put through its projects for the construction of public work." What arguments can be suggested in favor of this policy? What theoretical objections can be urged against it? What practical obstacles would have to be overcome in its administration?

4. "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?

5. "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?

6. "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?

7. "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.

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

VI. THE PROBLEM OF ECONOMIC ORGANIZATION FOR WAR

33. The Nature of Modern War

A. Like all other things, war has been profoundly modified by the machine process, the price system, and the other institutions which make up modern industrialism. The prosecution of a successful war engages the energies of all sorts and conditions of people. Recent experience has shown that all are quite willing to aid in the prosecution of the war. It has also shown that well-intentioned endeavor has frequently been misspent because of an ignorance of the nature of modern war and its requirements. With this question a study of "the economics of war" properly begins.

B. Readings: Introduction to VI, 113-15. See also 61, 62, 103-69, 7,256, 262, 310.

C. 1. What is "the economics of war"? 2. List the more important of the economic antecedents of war. 3. Explain, using illustrations, economic organization for war. 4. Show the dependence of war upon "the state of the industrial arts." 5. Indicate the importance of the element of time in preparation for war. 6. Give examples of your own in explanation of "the larger economic strategy."

D. 1. From the assigned and supplementary readings, and other sources, make a list of the "causes" of modern wars. Distribute a total of 1,000 points between the items in your list in terms of the importance of their contributions to war.

2. In the technique of modern war find analogies to the machine technology, the factory system, large-scale production, and other devices of industrialism.

3. What aspects of the technique and organization of war are survivals from a pre-machine age?

4. By illustrations show the relation of each of the following to the technique of war; increase of scientific knowledge; the national system of public finance; the habits and customs of the people; the

kinds of natural resources and their quantities; lack of serious internal troubles; susceptibility of the people to discipline.

5. How is preparation for war to be made in a society composed of self-sufficient agricultural communities? an industrial society using machines and the price system? a society using machines but not using the price system?

34. The Sinews of War

A. Modern war requires vast quantities of human and material resources. The men must be trained in a peculiar technique. The materials must be fashioned for a particular purpose. The quantities of a large bill of goods must be proportioned to each other with more or less accuracy. Usually a nation has not been able to make adequate preparation in time of peace. When war comes, the task of reorganizing industry to meet the new need has to be pushed through against time.

B. Readings 116-19. See also 48, 52, 215, 301, 355, 369-71.

C. 1. What is involved in "preparation for war"? 2. What problems of preparation are most easily and most adequately solved? 3. When did Germany begin preparing for the war which has just closed? 4. Why is it so important in war to economize man-power? 5. Point out the contributions of several of the natural sciences to efficiency in war; of several of the social sciences.

D. 1. "The army which engages the enemy is the cutting edge of a great and complex machine, which ramifies to the utmost confines of the land, includes the activities of all sorts and conditions of men, and depends for its speed and efficiency upon the everyday habits and activities of ordinary people." Explain, with illustrations, each of the last three clauses.

2. Make a list of the various war boards organized in Washington; point out the function of each of these boards. On this basis draw up a statement of what is involved in the problem of preparation for war.

3. What was the proper object of the Food Administration during the war: to conserve the existing supply of food? to prevent industrial unrest by keeping down the prices of staple commodities? to stimulate their production by putting prices up? to divert production from

specialized to staple products by making the latter relatively more profitable? or something else?

4. Show the influence of Germany's isolation and England's contact with neutral countries upon the economic policies of the two nations during the recent war.

5. "It is almost impossible for a nation to make adequate preparation to engage in a war with another nation possessed of equal resources. An advantage can be secured by more adequate preparation. But if one nation prepares, the other will follow, leaving the first nation just where it was." Show that preparation for war is competitive. What bearing has this fact upon the problem of international relations?

35. Methods of Industrial Mobilization

A. So long as nations pattern their organizations after different models, they will prepare for war in different ways. If the war is with a weak nation, the manner of preparation does not particularly matter. But, under the tyranny of the modern technique, no nation can afford to make mistakes in getting ready to meet another nation equally powerful. For the purpose a high national morale and a centralized control giving direction to the various elements of organization are indispensable.

B. Readings 120-25. See also 58, 64, 164, 188, 189, 304, 320, 322, 361.

C. 1. What elements of injustice and inefficiency attach to voluntary army recruiting? 2. Why cannot we count upon a voluntary enlistment of factories for national purposes in war time? 3. Explain the nature and use of a scheme of priorities. 4. State the arguments for and against industrial conscription.

D. 1. Why in time of war does public opinion sanction the conscription of men for military purposes but not for the production of the sinews of war? Why does it approve the conscription of men but not the conscription of income or of industrial equipment?

2. Why did the government permit the advertisement of standardized commodities, of which there was a deficit, in war time? Why did it not send to jail, for seriously interfering with industrial enlistment, those who tried to persuade the public to purchase non-essentials?

3. "Our experience in war has shown that the problem most easily and quickly solved is that of securing an army. The most difficult problem is an adequate supply of munitions, without which an army is impotent." What bearing has this statement upon a program for military preparedness?

4. "By some it has been argued that the industrial system can be made to produce a surplus above its present product adequate to the needs of the war. By others it is insisted that the surplus can be produced only by diverting instruments from the production of non-essentials to the production of war materials." If the former statement is true, how can a nation be best organized for war? If the latter statement is true, how is organization to be effected? Which statement is true?

5. If a nation during war can increase its product by a surplus large enough for war purposes, what does this indicate about the customary degree of efficiency with which industrial resources are utilized? Translate into terms of specific problems of peace-time organization.

36. Mobilization in Liberal Countries

A. Those who suggested securing the good of all by allowing each to follow his own pecuniary interests did not have in mind the common good which attaches to the successful issue of a modern war. Nations which have followed their precepts quite literally have as a result been confronted by serious problems in the organization for war which other nations have escaped. The great war asset of liberal countries has been resourcefulness and morale. The great liability has been ignorance of economic organization and lack of co-ordination of effort.

B. Readings 126-30. See also 14, 17, 24, 57, 268, 311, 393.

C. 1. How has the new technique penalized those who have developed it? 2. Give examples of your own of social customs which have helped or hindered effective organization for war. 3. Account for the many appeals to "spend" which were common during war time. With what "drives" did they most interfere? 4. Cite evidence of the degree of curtailment of nonessentials in your community during the war.

D. 1. "During the war we needed no elaborate machinery of control at Washington. Without it the government could have had all its demands satisfied. All it had to do to secure the goods it wished was to bid enough to make it profitable for individuals and corporations to produce them. The good old-fashioned law of supply and demand was quite adequate for the purpose." Just exactly what is "the good old-fashioned law of demand and supply"? Could the government in the proposed way have gotten as large supplies as it needed? Could it have secured them in the proper proportions? Could it have secured them at the right time?

2. "The inadequacy of mere bidding up to secure governmental supplies was shown by the failure of the labor policy in vogue during the first few months of the war. During this period each of the governmental departments was left free to secure its labor as it saw fit. The result was that the various boards, by bidding for a quantity of labor insufficient to satisfy all their needs, took laborers away from each other, raised wages to exorbitant figures, and greatly increased the labor turnover." Explain this argument fully, citing evidence which has come under your observation.

3. "In war a government cannot use the device of getting what it wants by paying for it as efficiently as a private corporation can use it. The corporation is restrained by the necessity of selling goods at a profit from bidding too high for materials. The government feels no such restraint." Explain.

4. "The precept to pay enough to get the goods you want was never intended to apply to the government's needs in a world-war. Their satisfaction requires a radical reorganization of the industrial system within a short space of time. It is only through gradual modification and during an extended period that the industrial system responds to a changing demand." Explain in full. Does this mean that classical economics has no lesson for the nation at war? Does it mean that it is adequate to the problem of organization for war?

5. "If the war has proved anything, beyond peradventure it is that the system of business enterprise in vogue at the present time is woefully inadequate to the task of organizing our resources for war." In establishing our system of business enterprise was it ever intended to

prepare the nation for war? Are business enterprise and organization for war incompatible?

37. Getting Out of War

A. After war come the many problems lumped together under the all-inclusive head of reconstruction. Clearly this term includes demobilization of men, of equipment, and of materials. It also includes a return of all the baffling problems of peace, complicated by the physical problem of getting out of the war and the psychological problem of building up a morale actuated by the ideals of a nation at peace.

B. Readings 131-33. See also 244-46, 306, 322, 329, 359-65, 382-87, 400, 404.

C. 1. Connect the rate of demobilization with the re-establishment of the industrial system upon a peace basis. 2. Why is the end of a war always attended by danger of a slump in production? 3. With what problems previously discussed is the problem of the maintenance of the level of production to be classed? 4. Name and illustrate the psychological factors which tend to make the problem of reconstruction difficult. 5. Enumerate the various problems which together make up the comprehensive problem of "reconstruction."

D. 1. "The problem of reconstruction we have with us always." Why?

2. "The great service of the war was the revelation of shortcomings in the present economic structure. The great problems of the adaptation of the industrial system on one hand to the machine process and on the other to the demands of human nature have not yet been solved. But, thanks to the war, they can be stated with fair precision." State these problems.

3. "The war has shown that industry is an instrument to be used for social purposes, that business is a mere scheme of administering industry, and that both of these are subject to control." Explain each of these three clauses. What is the importance of this statement?

4. "Compared to the problem of an economic organization of a nation's resources, the problem of preparation for war is simplicity itself. The latter has a clearly defined end and technique translates this end into a bill of particulars. The solution of the peace problem

is contingent upon an end and a program." Explain this more fully. How is the end to be attained in peace to be determined? How is it to be translated into a program?

5. "The problem of reconstruction is bound up with a clash between the immediate interests of individuals and of groups, between the present and the future interests of these groups, and between the desires of the groups and what is good for society as a whole." In terms of some problem of "reconstruction" illustrate each of these conflicts.

6. "To hold the balance true between the material and the human values of life is the oldest and the newest economic problem." With this as a text write a homily that is good for men to read at the present time.

VII. THE PROBLEM OF INTERNATIONAL TRADE

38. 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 economic order. 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. Readings: Introduction to VII, 134-38. See also 1, 59, 64, 65, 93, 332.

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. Show how the use of money in foreign trade is reduced to a minimum. 6. Can there really be such a thing as a "balance of trade"? 7. During the war what "invisible imports" were brought into the United States?

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. "International trade may be based upon differences in (a) natural resources, (b) technical systems, (c) proportion between popu-

lation 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?

4. "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?

5. "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?

6. "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.

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.

39. The Perennial Argument for Restriction

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. For it is easy to

translate particular into general interests, and few institutions have supporting them a larger number of honorable and venerable arguments than restriction.

B. Readings 139-44. See also 28, 37, 129, 169, 232, 291.

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. What arguments supporting restriction aim at a protection of vested interests? an advancement of dynastic or national interests? 5. Using examples of your own, 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?

5. "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?

6. "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?

40. 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. Readings 145-47. See also 155, 165, 167.

C. 1. What arguments once used in support of protection are no longer valid? 2. What nationalistic theories support protection? 3. Has the "young industry" argument any current validity? 4. Do you accept the statement that protection has aided in the formation of capital? 5. Make a careful appraisal of the assumptions of the arguments favoring free trade. 6. State the current case for protection.

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 used 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 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?

10. "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?

41. The Tariff and 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. Readings 145-47. See also 135, 136, 155, 156.

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?

42. Tariff Policy in Process

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. Readings 151-54. See also 2, 22, 164-66, 227, 229.

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. What theory underlies the establishment of the tariff commission? 5. How has the tariff problem been affected by the war?

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." Make a list of the advantages of competition for the trade of the world which the war has brought to the United States.

6. Gather and summarize the evidence that the attitude of the business interests of the United States is becoming more favorable to free trade. What of the attitudes of other industrial groups?

7. What similarities and dissimilarities are there between the industrial position of the United States at the present time and that of England at the end of the Napoleonic wars? What meaning has this for the tariff problem?

43. 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.

B. Readings 155, 156. See also 157-62.

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 conclusion above?

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?

44. Protection in Practice

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. Readings 157-62. See also 137, 139-43.

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. Can costs be determined accurately enough to serve as a basis for duties? 9. What influence is a tariff based upon difference in "costs of production" likely to exert upon the development of foreign trade? of domestic trade? 10. Can protection be made to 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. "Protection is all right in theory, but it will not work in practice." Prove this proposition.

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

6. "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?

7. 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?

8. 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."

9. "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?

45. The Tariff and World-Trade

A. The war has cut athwart the development of the trade of the world and it will have to be re-established along new lines. In particular the position of the United States has been changed. The increased costs of production in old-world countries, the increase in our shipping, our export of capital, and other factors have given us a place to which we are to accommodate ourselves.

B. Readings 163-66. See also 107, 132, 154, 215, 332, 382.

C. 1. What effect has the war had upon the position in international commerce of Germany? of Great Britain? of the United States? 2. What is the export of capital? How is it effected? 3. What is the significance of the increase in our shipping? 4. Give examples of the "scientific" encouragement of foreign commerce. 5. Why did the United States government sanction the organization of "export associations"?

D. 1. "The return to production of the armies of Europe, the employment of cripples who can be had for a pittance, and the utilization of technical knowledge acquired during the war will enable European countries to turn out at a low price a flood of goods. Without a higher tariff they will drive us from the markets of the world." Is this argument sound?

2. "In most European countries the real costs of production have been substantially increased by the war. Evidence of this increased cost is to be found in disabled labor, the use of machines that have depreciated, the partial disorganization of the industrial systems, the greater cost of maintaining order, and kindred facts. For some time Europe will not be able to renew upon a substantial scale a fight for the world's trade." In what sense is the word "costs" used above? Is this argument sound?

3. "The investment of capital abroad is the only device by which the United States can greatly extend its commerce with Europe.

This is due to the simple fact, that Europe has nothing with which to pay us for our exports. We must take pay in securities which are promises to pay at a future time." How long can we hope to carry on such a one-sided trade? Is it to our interests to help in the reconstruction of Europe by furnishing capital? What will happen to the course of trade when Europe begins to repay us?

4. If we loan to Europeans upon promises to repay us at some future time, what will be the effect upon the total volume of productive wealth in this country? Upon the volume of consumptive goods here? What will be the effect of this upon the cost of living? the status of industrial unrest?

5. Account for the growing demand for "research in foreign trade." With what inquiries is such research concerned? Is it compatible with a spirit of protection?

6. What advantages will the country at large gain by the establishment of a direct commerce with South America instead of the three-cornered trade between South America, the United States, and the United Kingdom which was in vogue before the war?

46. Trade and the Peace of the World

A. Perhaps the most important of all questions concerned with international trade at the present time is how it can be organized to prevent its interference with the peace of the world. One group would do it by a policy of national self-sufficiency which would enable us to look after ourselves in any emergency. Another would do it by allowing trade to tie the nations together, expecting to create a network of mutual interests which would be a barrier to war.

B. Readings 167-69. See also 59-62.

C. 1. Can protection give to a nation the self-sufficiency which is required to fight a modern war alone? 2. Can a tariff policy be made to reduce the "temptations to war"? Give illustrations of the "cult of national self-sufficiency."

D. 1. "Nature has so contrived the constitution of the universe that no nation can possess the sources of supply of all the materials essential to fighting a successful war." Do you know of any nation which has all the necessary materials?

2. "An attempt to realize an ideal of national self-sufficiency will inevitably lead to war." Argue for or against this proposition.

3. "National armament is competitive. National armament uses economic resources which would otherwise be put to a productive use." Make out the economic case against national armament. What considerations support it?

4. Can we organize "export associations" without giving tacit encouragement to the concerns involved to organize for domestic purposes? Is the government prepared to control organized industries to insure their serving the public interests? Are there likely to arise huge combinations engaged in world-trade which will attempt to use the national governments for their purposes?

5. Should standards be adopted for international trade, governing markets, commodities, finance, trade practices, etc.? If so, by what authority should the provisions of the code be enforced?

VIII. THE PROBLEM OF RAILWAY REGULATION

47. The Basis of 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.

B. Readings: Introduction to VIII, 170-72. See also 52, 200-204.

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

D. 1. "Through the application of the machine process to transportation 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 sound 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.

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. Readings 173-77. See also 73, 273.

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. How is the problem complicated by state competition? 4. What other kinds of competition affect the making of particular rates? of the schedule as a whole? 5. What is the correct theory of the particular rate? of the schedule as a whole? 6. 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. 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. Readings 178-83. See also 25, 89, 210, 392.

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. What was the "Adamson Act" all about? What problems did it settle? What problems did it raise? 5. On the eve of the war what unsolved problems of government regulation remained?

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?

50. 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. The need for a valuation was in no sense reduced by the war. In the future, if we are to have private management, we will need to know proper valuation. If we are to have public control, proper compensation to owners must be based upon correct values of their property.

B. Readings 184-87. See also 85, 216.

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 valuated 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?

51. The Railroads in War Time

A. Although it seems obvious, it took the war to show the real place of transportation in the industrial system. The railroads occupied a central position in the program of national strategy under-

taken by the leading warring nations. So important was this instrument of unification and co-ordination of national effort that everywhere it was found necessary for the government to assume general oversight of transportation systems during this emergency.

B. Readings 188-91. See also 115, 116, 125.

C. 1. What led the government to assume general supervision over railway transportation during the war? 2. What was the nature of the scheme of federal supervision? 3. List the policies of the railroad administration relative to such matters as priorities in shipment, rates, extensions, etc., and compare them with the policies of the roads in private hands. 4. In what respects was federal administration most successful? in what least successful? 5. What problems of administration did the government experience reveal? What problems of making the railroads serve the commonwealth?

D. 1. Account for the "breakdown" of the transportation system in 1917. Give evidences of its failure to perform the functions required of it. Was this "breakdown" a proof of the "failure of private management"?

2. "The history of the railroad administration attests conclusively the failure of government ownership." Did we have "government ownership" during the war? What did we have? Define quite exactly the relation of the national government to the private management of the roads.

3. Were the petty annoyances which the traveler suffered during 1918 chargeable to the inefficiency of the United States Railroad Administration? To what were they chargeable?

4. "During the war the government chose to enrich railroad employees at the expense of the roads. These arbitrary increases in wages were unwarranted." Did the private owners of the roads pay the increases in wages? Why did wages materially advance in other industries? How plentiful was labor? In view of advances elsewhere what was the railroad administration bound to do? Was the policy of dealing with labor which such incidents reveal a wise one?

5. "At most the railroad administration exercised only a superficial observation over the railroads. The latter were left in the hands to which they had been entrusted by their private owners. The situation was one in which the government could be held responsible for

the shortcomings of the officers of the roads. In fact there was a unique opportunity for those who actually controlled them to discredit government supervision." Do you agree or disagree? Examine the argument fully.

6. On the basis of past railway earnings was the compensation granted the owners by the government adequate?

7. Write an essay upon "The Place of the Railroads in a Program of National Strategy."

52. The Crisis in Railway Policy

A. Most of the problems of railway regulation which were pressing for solution upon the eve of the war are still with us. They are complicated by the necessity of determining what we are to do with these properties. The necessity of deciding to keep them, or to return them, and if the latter, upon what conditions, gives an opportunity for a consideration of the fundamentals of the problem and a lasting solution of its perplexing enigmas. Whether we shall, or whether we can, adequately settle the problem, we shall soon know.

B. Readings 192-96. See also 133, 216, 382-84.

C. 1. Why is there popular distrust of "solution by experimentation"? 2. Reduce to a few simple propositions the plan of the "railroads." 3. Enumerate the various propositions which together make up the "Plumb Plan." 4. Can these proposals be discussed separately, or must they be discussed as one? 5. What is the best plan for supplying to the railroads an adequate supply of capital? 6. Enumerate the conditions which, in your judgment, any adequate plan for the reorganization of the railroads should meet.

D. 1. "The service performed by the railroads must be economic. All duplication and unnecessary expense must be eliminated." Does this require their organization into a single system, the organization of a number of regional systems, or the return of the properties to their owners?

2. "Economic service necessitates a single regulating body, applying definite standards, and rendering quick decisions." Do you favor the retention of the present dual system of federal and state supervision? Should the Interstate Commerce Commission be

retained? Should it be superseded by an administrative department of the government under a cabinet officer?

3. To perform their service adequately in the future the railroads must have an adequate supply of capital. Should this capital be obtained by the sale of additional securities? Can it? Should rates be high enough to pay reasonable dividends and permit a surplus to be accumulated which is to be invested in extensions and improvements? If this device is used, should this surplus be capitalized? Should the owners of the roads be permitted to earn dividends upon it?

4. Are we to regard the bargain between the railroads and their employees relating to wages, hours, and conditions of employment as a private matter that concerns only the two parties? If the two parties fail to reach an agreement, shall we allow service to be suspended? What adequate method can you suggest for handling the problem of railway labor?

5. Should the public be called upon to subsidize inefficient service? to pay the costs of obsolete methods? to pay dividends upon "watered" stock? How can standards of operation and management be fixed? How can they be enforced?

6. "The price paid by the public for railway service should, among other things, include a reasonable return upon a genuine investment, and reimbursement for the costs involved in furnishing a service that meets prescribed standards in management, organization, technique, and utilization of human labor." Explain in full. Qualify this statement in such a way as to make it an expression of your own opinion.

7. "The end of the railway problem is not as yet; for, if regulation fails, the public will demand ownership, and, if it succeeds, the railroads will demand it." Is this dilemma a true explanation of the current crisis?

IX. THE PROBLEM OF CAPITALISTIC MONOPOLY

53. 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. Readings: Introduction to IX, 197-200. See also 40, 170, 171, 324.

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 argument above?

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.

5. Did the organization of business "by industries," fostered by the government during the war, encourage monopoly?

54. The 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. Readings 201-4. See also 88, 92, 166, 172.

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. Weigh the conditions enumerated according to their importance.

55. 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. Readings 205-8. See also 39, 70, 161.

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.

56. The Regulation of 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. Readings 209-14. See also 22, 132, 178-83, 394.

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.

57. The Future of Regulation

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. Readings 215-16. See also 5, 111, 196, 240, 340, 386, 395.

C. 1. Has the war increased or decreased the importance of the problem of monopoly? 2. Does standardization make for or against

monopoly? 3. What are the costs and values of competition? 4. What are the costs of regulated monopoly? What are its social values? 5. What tendencies would competition and monopoly severally impart to the development of industrial society? What is the ultimate end toward which each aims? 6. Outline a just and adequate trust policy.

D. 1. "The policy of standardization, encouraged by the government during the war, tends toward monopoly." State and examine the evidence upon which this statement rests.

2. "Standardization is the solution of the problem of national economy." Connect standardization with the machine process. In what respect would standardization make for a more economic use of our limited resources? What disadvantages would attend its use?

3. What effect would extensive standardization have upon our export trade? upon export associations? upon the peace of the world? upon international organization?

4. Would standardization undermine personality? How far would you go in recommending a program of standardization? Upon what principles would you rest its use?

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

6. "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?

7. "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?

8. 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?

9. "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?

X. THE PROBLEMS OF POPULATION

58. 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.

B. Readings: Introduction to X, 217, 218. See also 8, 56, 117, 275, 369.

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 class 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?

59. 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. Readings 219-22. See also 5, 13, 17, 292, 306, 367, 376.

C. 1. State and criticize the theory of population as stated by Malthus. 2. Has the rate at which population increases anything to do with the validity of the principle? 3. Distinguish between the teachings of Malthus, the Malthusians, and the neo-Malthusians. 4. In what proposal does one-Malthusianism find its most conspicuous current expression? 5. What current arguments associate Malthusianism with capitalism? 6. What relation has "population pressure" to war?

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, casually independent factors. Among these are the quantity of natural resources, the changes in the volume of capital, the development 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?

60. 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. Readings 223-25. See also 6, 8, 14, 394, 396.

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. What significance attaches to the decline of immigration since the beginning of the war? 5. When will "normal" immigration be resumed? 6. State the quantitative problem of population 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." Has the war removed these differences between America and southeastern Europe? Then why has immigration practically ceased? May we expect it to be renewed? If so, under what conditions?

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." Can this threat be avoided? Is it desirable to avoid it?

61. 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. Readings 226, 227. See also Introduction to VII, 2, 112, 155, 394, 403.

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 43, 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).

62. 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. Readings 228-30. See also Introduction to XI, 41, 55, 56, 262, 268, 309, 400.

C. 1. Has immigration forced the native worker up, down, or out? 2. Show quite explicitly how immigration has affected some four or five industrial conditions. 3. If the door be kept open to immigrants, can unionism thrive? 4. 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 show 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?

63. The 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. Readings 231-33. See also 23, 70, 248, 272, 292.

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 quotation above 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.

64. The Future of the Immigrant

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. Readings 234-38. See also 6, 281, 397-400.

C. 1. State the economic problems demanding an "immigration program." 2. Can the economic problems of immigration be considered in isolation? 3. What is the problem of Americanization? 4. By what agencies is Americanization to be effected? 5. Has the "transitional quality" given to our social order by the immigrant been for the better or the worse? 6. 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 a propos 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. "Our desire for cheap labor has led us to import aliens without asking questions about their intelligence, their political ideals, or their willingness to become good citizens. Now we are reaping." What importance do you attach to this factor in explaining the present unrest?

6. Should Americanization be carried on by the state, by industry, or by private organizations? Can you justify making this work a charge against industry?

7. "Why blink sober fact? Immigrants are to be hewers of wood and drawers of water. Through immigration we are establishing a permanent labor proletariat." Do you accept this conclusion?

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

9. "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?

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

65. 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. Readings 239-43. See also 8, 238, 305, 346*b*.

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?

66. The Population Problem of Today

A. In the wake of the war there comes not one but many population problems. There is scarcity of man-power, the pressure of population upon subsistence, the demands of peoples new to industrialism for a "place in the sun," the threat of emigration from America, and the ever-old, ever-new problem of improving the stock of men. Fortunately in these instances, as always, war calls attention to the importance of the problem of population.

B. Readings 244-46. See also 2, 60, 62, 117, 225, 277.

C. 1. Has industrialism relieved population pressure in Japan? 2. Can emigration from the United States occur on any large scale or for any extended period of time? 3. Why does war bring the population problem into greater prominence? 4. What aspects of the population problem were emphasized by the war? 5. What are being emphasized now that the war is over?

D. 1. "A nation newly possessed of the machine-technique, organized on a feudal plan, with a large and docile population, is always a menace to the peace of the world." Is this true? Examine the historical evidence.

2. "America's abundant resources are mightier than newly born nationalistic hopes. The tide of emigration will eventually turn into a stream of immigration unless the latter is checked by government action." Comment.

3. "The slow growth is the healthier. If immigration remains permanently checked, America will have a slower, but a much sounder development than will be the case if barriers are removed and immigrants are again freely admitted." Examine this argument carefully.

4. "Very soon we may expect to find immigration a great political issue. The position of the wage-earners has been materially strengthened of late by the stoppage of immigration. The costs of production and the high costs of living have mounted because of a dearth of alien labor. These facts insure a conflict of interests that will find expression at the polls." Do you agree?

5. Cite evidence of an interest in public health which has come out of the war. In what ways will this aid eugenics?

XI. THE PROBLEMS OF ECONOMIC INSECURITY

67. Insecurity under Modern Industrialism

A. One of the most serious problems which modern industrial society has to face is that of insecurity. Security in an economic sense there has never been, but the modern problem is complicated by the manifold aspects of the development of the pecuniary society to which it belongs.

B. Readings: Introduction to XI, 247-49. See also 24, 26, 41, 90, 91, 95, 311.

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?

68. 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. Readings 250-54. See also 54, 63, 89, 96, 384.

C. 1. Draw up a classification of the causes of unemployment. 2. List and describe the types of unemployment. 3. State the case for "an adequate organization" of the labor market. 4. Draw up a plan for an adequate organization of the labor market. 5. Outline the "theory of buffer employment." 6. What principles should govern the relief of unemployment? 7. Can adequate protection against unemployment be afforded by insurance?

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. "Fundamentally the problem of unemployment is one of the organization of the industrial system." Demonstrate.

3. "Unemployment is evidence that labor is asking too much. It can be relieved when, and only when, labor is willing to take a wage based upon the value of its services." Show that this is a misconception of the problem of cyclical unemployment.

4. "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?

5. "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?

6. 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?

69. Industrial Accidents

A. The problem presented in industrial accident reveals, not only an important manifestation of economic insecurity, but inability of the common law formulated 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. Readings 255-61. See also 18, 52, 344, 369.

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. 6. Do you favor or oppose compulsory workmen's compensation? on what grounds?

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?

6. Show how the losses incident to workmen's compensation can through the principle of insurance be reduced to a regularly recurring charge against industry. In this case the costs are eventually borne by whom?

7. "Workmen's compensation and insurance is a mere device for making the consumer of goods pay for the human wear and tear incident to their production." Explain in full. Do you agree?

70. Sickness and Health

A. Sickness and health are incident to all life. Yet under the modern machine system physical well-being is doubly essential to

production and to a wise national economy. The problems presented are two in number: first, the conservation of the health of the industrial population through "preventive medicine"; and second; the equitable distribution of the cost of illness and premature death.

B. Readings 262-66. See also 41, 117, 239, 305, 321.

C. 1. Should a national "health survey" be made? 2. Make an estimate of the physical efficiency of the working population of the United States. 3. Make an estimate of the economic cost due to sickness. 4. Sketch a program which will result in greatly reducing this cost. 5. Should such cost as is left be borne wholly by the individuals affected? 6. Can the British national insurance scheme be used in this country? 7. 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?

71. 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. Readings 267-68. See also 130, 219, 222, 230, 288.

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 the standard of living a "national" or a "class" affair? 4. What effect has the war had upon the standard of living? 5. Is a "fair living wage" an economic or an ethical concept?

D. 1. On the basis of prices in your city, determine how a family, consisting of father, mother, and a child of eight, should apportion its income of \$800 per year; \$1,700 per year; \$4,000 per year; \$8,000 per year. After drawing up the four budgets compare the percentages in each representing expenditure 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?

72. 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. Readings 269-74. See also 70, 73, 290, 304, 306, 350, 383, 384, 385.

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. 6. Could compulsory arbitration be made to work under American conditions?

D. 1. "The principle of the minimum wage can be simply stated. Its aim is to compel the employer to pay the laborer enough to make possible the labor which he utilizes." Explain in full. Compare the principle with that of workmen's compensation.

2. "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?

3. "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?

4. "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.

5. "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?

6. "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?

7. "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?

73. The Hazards of the Child

A. The most important of all questions of insecurity is that of the hazards of the child. From birth—and before—until his occupational status is definitely fixed, the child has to run a long series of chances. Only as these are successfully avoided are his latent capacities developed into usable powers. Only as these perils are escaped are the human resources of society properly conserved.

B. Readings 275-80. See also 8, 53, 127, 222, 305, 330, 397-400.

C. 1. What is the economic value of decent birth? 2. Why does the industrialization of a country place a strain upon childhood? 3. In what respects are the child's opportunities for development

conditioned upon the parental income? 4. State the case for and against child labor. 5. Outline the argument underlying the decision of the United States Supreme Court in the first child-labor case. 6. Did this decision dispose of the question at issue?

D. 1. "The new industrial system did not bring its own standards. For a time an attempt was made to apply the customs and standards of a craft and rural society." Give a historical account of child labor in industrial society. Account for the great human cost involved.

2. "The natural law of free competition will settle the problem of child labor. Under its uniform operations those human resources will be conserved which are worth more at a later date. Only those will be used which are more valuable in the present than in the future." What happens to this theory when put to the actual test?

3. "Every child has a natural right to be born of healthy and decent parents; to be born into a home with an atmosphere of healthy living and thinking; to enjoy the natural opportunities of children for health, play, and physical development; to have an opportunity to have the best of its talents developed; and to be given competent knowledge of the social and industrial world to which it has to adjust its life and thought." Would you incorporate any or all of these provisions in a "Modern Bill of Rights"?

4. "He who has gifts has a right to their development." Would you make opportunity the same for the child of rich and of poor parents? If not, in what respects would you discriminate? What principle underlies your discrimination or your failure to discriminate?

5. "Our division of police power between the federal and the state governments is sadly at variance with the facts of industrial life." What evidence for or against this statement is afforded by our attempt to deal with child labor?

6. "The problem of child labor is not one but many. Its concern is the formulation of a list of standards governing the employment of children." Explain in full.

XII. THE PROBLEMS OF UNIONISM AND THE WAGE CONTRACT

74. 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. Readings: Introduction to XII, 281-85. See also 54, 56, 366, 367, 396.

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 workers 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?

75. Viewpoints and Unionism

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. Readings 286-88. See also 22, 25, 240, 310, 311, 337, 338.

C. 1. What theory underlies Hoxie's account of the viewpoints of the capitalist and the trade-unionist? Do you accept it? 2. What distinction do you notice between the two parts into which almost every article of the "economic creed" can be divided? 3. What distinctions in viewpoint and principle do you note between the "economic creed" and the "industrial creed"? Account for the differences. 4. Is there at present a creed common to employers? a group of principles believed in by all unionists?

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 capitalistic 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 stunted 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?

76. The Theory of Unionism

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. For the realization of its end 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. Readings 289-92. See also 312, 318, 319, 347, 348, 349, 384.

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. "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. "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.

4. "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?

5. Distinguish between industrial and trade unionism.

6. "Trade unionism is not a labor movement. It is a mere attempt to sell a definite commodity, labor, at the highest price. Its aims are business aims." Do you agree?

7. "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?

8. "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?

9. "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?

10. "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.

11. "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?

12. "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?

77. 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. Readings 293-300. See also 307, 313, 343, 347, 348, 380.

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 ten years preceding the war. 6. Has the war increased or decreased the strategic position of organized labor?

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?

78. Unionism in War Time

A. The status of unionism in America was definitely affected by the war. First, the direct conflict between unions and employers was for the moment suspended. Second, an attempt to hold laborers responsible for production led to an extension of unionism. Third, an attempt to realize war aims through the unions led to changes in union policy and principles.

B. Readings 301-3. See also 116, 117, 122, 123, 131.

C. 1. Account for the importance of labor in the war program.
2. Was there really a "truce" between "labor and capital" during the war? 3. Why did the government prefer to deal with unions

rather than with laborers individually or with them through their employers? 4. Was the war tendency an encouragement to trade or to industrial unionism? 5. To make labor productively efficient the government found it necessary to give attention to what aspects of the labor problem?

D. 1. Can the competitive bidding of governmental departments for industrial laborers be justified, when the government is conscripting men for military service? Should men have been conscripted for industrial service? Should industry have been conscripted?

2. "The war proved the impossibility of holding to accountability for production laborers organized along trade lines." Is this true? Could responsibility be placed in unions organized along industrial lines?

3. "During the war labor took advantage of the scarcity of manpower caused by the military draft to demand higher wages. Thus they received a surplus over and above their fair wages and properly chargeable to government policy." Examine this argument carefully.

4. Does war tend to promote or to encourage: a reduction of the hours of labor? the prohibition of night work for women? Sunday labor? an improvement in sanitary conditions? an increase in wages?

5. Examine the purpose, function, history, and accomplishment of the War Labor Board; of the War Labor Policies Board. What has been the net effect upon current conditions of the activities of each?

79. Woman's Invasion

A. The scarcity of labor during the war led to a re-examination of woman's capacities for industrial labor and of the tasks for which she was fitted. In addition changes in organization and technique were made to render suitable for women tasks which had formerly been regarded as belonging to men. But what has been done cannot be easily undone, and in many cases women have been admitted to particular trades for good.

B. Readings 304-6. See also 53, 127, 222, 246, 276, 331, 346, 383, 384.

C. 1. What is meant by the dilution of labor? 2. To what extent were women drawn into industry in this country during the war? 3. What new problems in organization, technique, and working conditions were presented by the new army of women workers? 4. How is the health of working women properly to be conserved? 5. Do women war workers wish to remain? Do their employers wish to retain them? Is it to the public advantage that they should remain?

D. 1. "The war clearly revealed as a source of great economic loss the idleness of a large proportion of the women of the country." By means of the census reports and other data, determine the number and percentage of women above childhood who are not productively employed. What is the social loss?

2. Account for the fact that society has in the past been making far more use of its male than of its female resources.

3. What trades are primarily men's trades? What primarily women's? Are units of each usually located in the same neighborhood?

4. "The entrance of women into industry should be welcomed by men. Their earnings increase the family income and enable its members both to work more efficiently and to enjoy more of the good things of life than they could without such additional income." Cite evidence in support of this statement."

5. "Men should oppose the entrance of women into industry. They can be had for lower wages than men receive. Hence their entrance into industry tends to drive down wages." Cite evidence in support of this statement. Which of the two statements above is correct?

6. Did society lose anything when the women war workers entered industry?

80. Revolutionary Unionism

A. With the development of our highly industrial, pecuniary, and urban culture there springs up a spirit of revolutionary protest. This has been quickened by the war and by the activities of labor in European countries since the war. To some extent this manifests itself in independent organizations, but it is appearing to a greater

extent than ever among the rank and file of unionists. Its study reveals class consciousness in its most extreme form.

B. Readings 307-9. See also 311, 313, 327-29.

C. 1. Account for the presence in this country of revolutionary unionism. 2. Sketch and criticise the proposed syndicalistic organization of society. 3. Cite examples of different kinds of sabotage which have come under your own observation. 4. Is sabotage confined to the industrial unions? to labor unions? to the laboring class? 5. Could a general strike succeed? 6. Of what value is revolutionary unionism in a general study of the labor problem. 7. Under what conditions does radicalism thrive? Do those conditions exist in this country?

D. 1. "Revolutionary unionism will not become an organized movement in this country. Our natural resources are too abundant and our population is too far from the starvation line for that." Discuss.

2. Syndicalism took its rise in France. Out of what sort of an industrial environment did it spring? Enumerate the leading differences between the industrial systems of France and of the United States. Is it compatible with American industrial society? with the current labor movement in this country?

3. "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?

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

5. "The use of sabotage is attended with grave social dangers. It makes the laborer himself the judge of whether he is given his right; 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.

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

XIII. THE PROBLEM OF CONTROL WITHIN INDUSTRY

81. Unrest

A. Production is an affair of the mind and the will as well as of the hand. It requires personal application as well as organization. There may be differences between the parties to production over wages, hours, and conditions of employment. But there should be none over the importance of production and the application of their efforts. To the end of making industry an instrument of the commonwealth causes of unrest must be eliminated.

B. Readings: Introduction to XIII, 310, 311. See also 22, 24, 25, 247, 250, 268, 309.

C. 1. Is the unity which war brings real or only apparent? 2. Was the prediction of the Garton memorandum realized at the end of the great war? 3. Enumerate the basic causes of industrial unrest. 4. What current value has the portrayal of unrest in war time?

D. 1. "War brings, not peace, but a truce in the industrial struggle. At its termination the old hostilities will revive, stronger than before because of their temporary suppression." Make a historical test of this statement for the period following the Civil War in the United States; the period following the Great War in the United States; the period following the Great War in England.

2. "To get rid of unrest, get rid of the disturbers." "To get rid of unrest get to its root and deal with its fundamental causes." Contrast these two attitudes. Characterize the programs to which they lead.

3. "Labor has a load to carry, and the public must not let it shirk." "No person or group can perform its real service to the community if he or it is conscious of grave injustice from that community." Where lies the truth?

4. "The way to cure unrest is to take away from the laborer the right to strike." Argue for or against this proposition.

5. Outline a program for getting at the real causes of industrial unrest and of treating them in a constructive fashion.

82. Output

A. The problem of output is the problem alike of industrial engineering and of economics. It is the problem of giving the community in exchange for its limited resources the maximum of the good things of life. It will never reach an adequate solution. It is constantly receiving a new statement and getting answered in new terms.

B. Readings 312-14. See also 89, 116, 126, 136, 197, 291, 383.

C. 1. Distinguish between output as a technical and as an economic problem. 2. Compare the problem as it exists in an agricultural and an industrial society. 3. Define and give examples of sabotage taken from several different aspects of life. 4. Why is the problem of the increase of production of greater moment than it was before the war?

D. 1. Show that the problem of national, social, or community economy is primarily a problem of output.

2. Show that the problem of the high cost of living, if it is general, is a problem of output.

3. "Work and save." How adequate is this as a solution of the output problem in an agricultural society? a craft society? an industrial society?

4. Show how output is involved in each of the following problems: the adequacy of pecuniary competition to direct industry; the rhythm of business activity; the organization of national wealth for war; the regulation of international trade; the regulation of monopoly; the restriction of immigration; the conservation of human resources; the unionization of labor; the promotion of efficiency; vocational education.

5. List the following factors in the order of their importance to the question of increasing production: hard work by laborers; making technical knowledge available; saving; co-operation in buying; the improvement of technique; the advance of scientific discovery; improvement in shop management; organization of work within the shop; organization of establishments by industries; articulation of industries into an industrial system; reduction of the rhythm of the business cycle; standardization of goods and processes; extension of vocational education; creation of responsibility for

output among employers; creation of responsibility for output among workers. Add to the list factors of importance which are omitted.

6. An industrial conference is called by the President to consider the high cost of living. Show that the real problem is one of increasing production. Draw up a program, listing the topics which such a conference should discuss, in the order which best connects them one with another.

83. Efficiency

A. Efficiency is important both because of its connection with the problem of increased production and because it presents a point of conflict between employers and laborers. In its terms is evident the clash of viewpoints and assumptions which underlie their respective programs. There was a time when "efficiency" meant "scientific management" in the technical sense. But at present it connotes something much more human and much broader than an organization of the mere mechanics of production.

B. Readings 315-21. See also 51, 52, 55, 215, 384, 393.

C. 1. Account for the great attention recently given to scientific management. 2. What improvement 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. Why has "employment management" recently become of importance? 7. Is "industrial physiology" essential to efficiency? 8. What factors are overlooked by those who try to find efficiency in technique?

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?

84. Order

A. Thus far process, organization, discipline, and other aspects of the work of the industrial establishment have not been made to conform to standards. The order which pecuniary competition has brought is a crude and imperfect one. During the war the attempt to increase production was found to involve an attempt to give order to the workshop. The most significant work which has been done in this direction has been the establishment of the "Whitley councils" in England.

B. Readings 322-25. See also 303, 327-29, 380.

C. 1. Connect the establishment of "order" in the workshop with the increase of production. 2. What principles underlay the

organization of joint standing industrial councils? 3. State the differences between the Whitley scheme of "joint control" and the scheme which it displaced. 4. Is there a tendency in England toward the establishment of an "industrial parliament"? Will this tendency be realized? 5. What importance has the "Whitley experiment" in view of American conditions?

D. 1. "The discipline of the shop should be based upon a code of law and usage. The principle which the state employs of embodying in a code its police regulations is applicable to the shop. The day of the arbitrary word of the employer or the foreman is gone." Make a study of "discipline" in some unregulated shop. Make out the case for the application of "law and order" to shop discipline. To what other matters of workshop control should it be applied?

2. "Changes in process, in machinery, in organization of work, and like matters affect the welfare of laborers and their families. They should have some voice in making the changes." "Workshop control belongs to the employer. He has and should have a right to do as he pleases with his own." Compare the assumptions underlying these two statements.

3. "Modern democracy will remain inefficient until citizens are given training in dealing with group problems. Under modern industrial conditions such training can be given only in the workshop. To charge laborers with responsibility for certain matters of workshop control will develop acquaintance with modern problems of control and responsibility to society." Make out in full the case leading to this conclusion.

4. Can a scheme of control, such as that suggested in the Whitley reports, be applied in a stable industry, manufacturing a single standardized product, for which the demand is certain and constant? Can it be applied to a nonessential industry, manufacturing several specialities, for which the demand is uncertain and capricious?

5. State the theory underlying the demand of British labor for an "industrial parliament." What are the functions of the proposed parliament? What would be its relations to the government? Is the demand for such an organization likely to arise in this country in the near future?

85. Politics

A. Participation in control by labor raises the question of the nature and extent of its control, its method of choosing representatives, the organization of the representative body, its relation with employers, the personnel of the body, and many other questions which constitute the increasingly important subject of "politics in industry."

B. Readings 326-29. See also 7, 45, 274, 380, 381, 384.

C. 1. Why, in connection with labor problems, have we recently heard so much about "instincts" and "human nature"? 2. What have "instincts" to do with labor politics? 3. Compare in detail the "Midvale" and "Colorado" plans with that for "Whitley councils." 4. Contrast the problem of "industrial relations" today with the problem of the eighties and nineties. 5. What modifications in the scheme of industrial relations is likely to be effected in the near future?

D. 1. "The modern problem of control is adapting a scheme of institutions, or of arrangements, on the one hand, to the exigencies of the machine process, and, on the other, to the requirements of human nature." In terms of this formula outline some three or four problems already covered in this course. Account for the assumption that institutions are the changing factor in the problem.

2. "Our problems in the nineteenth century were largely political. They found solution in representative government. Before the machine came, establishments were small, all contacts were personal contacts, and there was no necessity for representative government in industry. With the rise of the factory, the growth of the price system, and the impersonalization of industrial relations, the parties responsible for industry can deal with each other only through representatives." Explain with adequate historical detail the statement above. Do you agree?

3. "The adequate organization of industry cannot be effected so long as labor is organized along craft lines. The pattern of labor organization fails to correspond with the industrial order. Such correspondence is necessary to secure responsibility from labor." Can the craft structure of unionism be adapted to meeting this demand?

4. "The scheme of shop committees is a device of employers to sell labor a gold brick. The control granted by such plans as that of the Colorado company is apparent, but not real. Its pretense of democracy merely hides an established paternalism." Comment.

5. Distinguish carefully between "politics in industry" and "labor in politics." What is the probable future of each of these movements in the United States?

86. Standards

A. The machine process means standardization. This has already found expression in technique, in organization, in process. It has gained a foothold in hours of labor, personnel of the working force, and conditions of employment. Standards are never "logical" things. They are based partly upon scientific fact, but also upon ideal, and the "logic of an actual situation." They are always in process of redefinition.

B. Readings 330-32. See also 163, 165, 275-80, 304-6.

C. 1. Define the word "standard"; the process of "standardization." 2. Give examples of standards of technique; of organization; of industrial processes. 3. Give examples of standardized habits which the machine process has forced upon us. 4. Should standards for children entering employment be state or national standards? 5. Account for the many subjects covered in the list of standards for women entering industry. 6. Would the establishment of international labor standards make for the peace of the world?

D. 1. Could the "daylight-saving" plan have been effectively used before the coming of the machine technique? Its success indicates what facts about the use of standards in industrial society?

2. "A living wage should be based upon the normal needs of the average employee regarded as a human being living in a civilized community" (Justice Higgins). How much of scientific fact can underlie the application of this standard to the determination of wages? How much of convention and social custom will get into its application? How much room for arbitrary judgment is allowed in its administration? Is this a fair sample of "standards"?

3. Draw up in outline form a list of standards which you would apply to the employer's costs of production to make them include all the socially necessary costs and to exclude all the socially unnecessary costs.

4. Compare the method involved in giving exact meaning to such phrases as "necessary costs," "living wage," and "civilized community" with that employed in determining the meaning of "life, liberty, and property," "general welfare," and "due process of law." If such standards are to be established for the world of industry, how are they to be worked out?

5. "In the nineteenth century economics was an affair of natural laws; in the twentieth century of 'arrangements.' The nineteenth-century economist was engaged in clarifying concepts; the twentieth-century economist with the determination of standards." Explain.

XIV. SOCIAL REFORM AND LEGAL INSTITUTIONS

87. 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. Readings: Introduction to XIV, 333-36. See also 10, 17, 25, 394, 395.

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. "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?

7. Is a provision stopping 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?

8. "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"?

9. 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?

88. 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. Readings 337-40. See also 36, 42, 45*d*, 125, 355, 366, 374.

C. 1. Compare the mediaeval and the modern institutions of private property. 2. Give an adequate defense of the institution of private property. 3. Show by illustrations that property rights are relative and not absolute. 4. What are the proper ethical criteria by which to judge property? 5. Account for the peculiar constitutional position of property in America. 6. Associate the constitutional position of property in this country with peculiar features of our social development.

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. "No personal income without the performance of a personal function." Can the defenders of private property accept this challenge?

11. "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?

89. 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. Readings 341-45. See also 14, 18, 23, 258, 271, 287.

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. What influence

has the war exerted upon the belief in the efficacy of freedom of contract? after the war events? 6. Do those who criticise 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?

90. 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. Readings 346-50. See also 183, 274, 287, 303, 343, 395, 396.

C. 1. Why do judicial decisions have to be taken into account in a study of labor standards? 2. Compare the theories underlying the decisions of the courts on the limitation of the working day. 3. Has the employee the same power to determine the conditions of his contract as the employer? 4. Would the courts uphold the validity of a law prescribing collective bargaining? 5. What is the legal issue in the minimum wage? 6. Appraise the assumptions of the court in the *Coppage* case; the assumptions of the dissenting opinion in the *Hitchman* case.

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. "All regulation of the conditions of employment is deprivation of property. Property rights, however, are subject to the police power, which can be used in furtherance of the public welfare. Hence, in any specific case, the question of 'due process of law' becomes, 'Does the public interest in this case warrant the encroachment on property rights?'" Explain, using illustrations from any case with which you are familiar.

8. The Supreme Court has found that collective bargaining runs counter to the public welfare. During the war the government found it necessary to resort to collective bargaining to further the national interest. Are "public welfare" and the "national interest" to be promoted by different means? Or is it possible that one or the other of the two authorities was wrong?

XV. SOCIAL REFORM AND TAXATION

91. The Theory of Public Finance

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 control. 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. Readings: Introduction to XV, 351-54. See also 22, 25, 132, 254, 263, 273, 330, 370, 393, 397.

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. Give examples of current taxes based upon the individualistic theory. 4. Are Adam Smith's canons of taxation valid today? 5. Appraise the merits of the "benefits theory"; the "faculty theory"; and the "theory of proportional sacrifice." 6. Define and illustrate "progressive taxation." 7. Upon what classes and properties, and in what proportions, should taxes be levied? 8. Show by illustration how taxation is used as a means of control. 9. Should it be so used? Is there any escape from such use?

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?

5. 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?

6. "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?

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

92. Nature of War Finance

A. In war finance is a matter of secondary, not of primary, importance. Our first demand is for goods and services. Because industrial society is organized upon a pecuniary basis, we must have

money to secure these necessary things, and war finance is a means of securing the money. In the late war, as always, the problem was whether the needed revenue should be secured by conscription of income, by loans to the government, or by inflation.

B. Readings 355-58. See also 65, 116, 129, 369, 370.

C. 1. Why is there a financial problem connected with organization for war? 2. State the case for and against the conscription of income. 3. Can the financing of war by means of loans be justified? 4. Can those with large incomes be made to pay the cost of the war? should they? 5. What are the arguments against financing the war by inflation?

D. 1. "The conscription of income is a matter of simple justice. The government has long enjoyed the right to conscript men for the army. But life is a far more valuable thing than income." Explain this argument, using illustrations.

2. "The argument against conscription of income is based, not on justice, but on expediency." Explain in full. Do you agree?

3. "The argument for loans is that, since the results of the war are to benefit future generations, future generations should compensate the present generation for the costs which it has incurred." Examine this argument critically.

4. "The costs of the war cannot be transferred to the future. The materials which the war requires are used up while it is going on. It is true that government bonds remain outstanding which are to be paid at some time in the future. But this does not mean that the future will recompense the present. It means that the government will collect revenue from taxpayers in the future to pay off bondholders in the future, or that one group in the future is taxed to pay another group in the future." Explain in detail. How much truth is there in this argument? What costs can be imposed upon future generations?

5. Show how, in a simple agricultural state, organization for war is achieved without the intervention of money. Show how, in a state enjoying the division of labor, it may be effected without any financial program provided the government enjoys prescriptive rights over industry. Show how, in a state using the price system, finance is a necessary means of organization for war.

6. A chapter of a book upon war finance which appeared in 1918 declared in substance: Because of the methods used to finance the war the German government is bankrupt. For that reason the German armies should stop fighting. But the Germans seem to be such fools that they do not know the financial condition of the government and they are still fighting. What delusion about the place of finance in war economy does the author of this volume cherish?

93. War Taxes

A. Before the war our national system of taxation was being re-established upon a new basis. Less reliance was being placed in customs duties and excise taxes, and more in the newly contrived corporation and income taxes. This tendency to use the newer taxes was greatly strengthened by the war. At present the new system seems to be firmly established and a return to the old system seems out of the question.

B. Readings 359-62. See also 113, 152, 369-71.

C. 1. Why are customs and excise taxes unsuitable to the demands of war finance? 2. State the leading features of the current national income tax. 3. Which is to be preferred, an excess-profits or a war-profits tax? 4. What theory underlies the tax on luxuries? 5. Give the leading features of the scheme used to finance the war.

D. 1. "The reorganization of the national system of finance during the first Wilson administration was one of the most effective things the country did to prepare for the war. If the old system had been in vogue in 1917 the problems of war finance could not have been successfully solved." Compare and contrast the two systems as instruments for securing to the government a large amount of purchasing power.

2. Make a careful study of the methods used by Great Britain to finance the war; the methods used by Germany. Find the elements in the situations of the two countries which compelled these differences in methods of finance.

3. Compare and contrast the methods used by the United States to finance the late war with the methods employed to finance the Civil War.

4. Point out the place of conscription of income, of loans to the government, and of inflation, in the methods employed to finance the war. Could a more logical scheme of war finance have succeeded? Could inflation have been avoided?

5. To what extent has the change in the price-level which has come about recently been due to the methods employed by the government in war finance?

6. Point out the influence of each of the following upon the program of war finance: the demand for revenue; a desire to influence individual activity; a desire to affect the distribution of income among various groups.

94. Tendencies in Finance

A. The war has left its permanent impress upon the system of government finance. In part this has come through a redefinition of the functions of government and a demand for additional revenue. In part it has come from the test to which various taxes were subjected in financing the war. It is safe to say that in the future, even more than in the past, a consciousness that taxation is a means of control will be manifest in fiscal programs.

B. Readings 363-65. See also 24, 283, 384, 387.

C. 1. State the case for a national budget. 2. Illustrate the problem of spheres of taxation for the federal and for the state governments. 3. What economic objections are usually urged against the inheritance tax? 4. Will the capitalization of the tax free it from these objections?

D. 1. List all the examples you have found in this course of confusion over federal and state jurisdiction.

2. Should a tax on luxuries be retained, now that the war is over?

3. Show that, because of the increased scale of expenditure, the federal government cannot return to the older plan of placing its main reliance upon customs and excise taxes.

4. "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.

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

6. "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.

7. "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?

8. "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?

XVI. COMPREHENSIVE SCHEMES OF REFORM

95. 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. Readings: Introduction to XVI, 366-68. See also 15, 20, 21, 24, 39, 45, 56, 69, 75, 80, 198, 231, 239, 240, 247, 250, 255, 270, 278, 281, 311, 343, 388, 389, 391, 402, 403.

C. 1. Make a list in tabular form of the conditions, institutions, etc., against which the protests given in the readings 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 protest against the schemes of institutional arrangements under which they were written? In what social utopia would you like to live?

96. The Burden of the War

A. In the immediate future economic problems are likely to be much affected by the attitudes of the people of the several nations, and of groups within the nations. Since attitudes are influenced by economic environment, they are more or less affected by the burdens which the war has left in its wake. A study of programs of reform, therefore, cannot overlook a consideration of the lasting costs of the war.

B. Readings 369-71. See also 116, 164, 191, 245, 256, 314, 392.

C. 1. Distinguish between vital, money, and material costs of the war. 2. Enumerate the principal items which are included among the direct costs of the war. 3. By examples show that the effects of the war have been qualitative as well as quantitative. 4. What has been the net result of the war upon our economic system?

D. 1. Are money costs an accurate measure of the economic burdens of the war?

2. Show how the war has caused a depreciation of plants and equipment; an arrest in building; the diversion of the stream of new capital to non-economic uses; the disintegration of trade connections; an arrest in the development of men for specialized pursuits; a diversion of scientific work to less novel tasks. Mention other indirect costs of the war.

3. Draw up a similar list of gains which war has effected in economic resources and processes. With which list does the balance lie?

4. "If we are to escape becoming poorer after the war, we must become richer." Explain the paradox.

5. Explain the economic condition of the various countries which engaged in the war with the end of throwing light upon the attitudes of their several people toward economic reform.

97. State Socialism

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. Yet, by implication, it suggests, at least in its very large outlines, a general theory for a program of reconstruction. The prevailing type of theory, state socialism, aims to substitute the government for the owner-manager.

B. Readings 372-76. See also 9, 25, 58, 70, 281, 384.

C. 1. Enumerate the particulars in which socialist critics insist that capitalism has failed. Appraise their arguments. 2. Distinguish between socialism, communism, and anarchism. 3. What general principles underlie the proposal for the socialistic commonwealth? 4. Is socialism to be condemned because its plan for the reorganization of society has not been worked out in detail? 5. Will socialism rid us of inequality? Will it preserve personal liberty? 6. How can the transition to the socialist state be effected? 7. What contributions to industrial development have been made by the socialistic indictment of the present order? 8. What social problems has this criticism 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?

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. "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 would threaten economic welfare by encouraging population and discouraging saving." Examine the argument supporting this conclusion.

98. 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. Readings 377-79. See also 56, 307, 366, 367.

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 worth 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.

5. "All values are produced by labor." "All productive property should belong to society." "The common wealth should belong to all the people." What is the source of these dicta? Examine them critically.

6. "To each according to his personal productive contribution." Show the practical difficulties which an attempt to put this principle of distributive justice into practice would encounter.

99. Gild Socialism

A. Gild socialism represents a scheme for the reorganization of the economic system based upon the ideals of state socialism and a distrust of the state. Its decentralized plan has been brought into prominence largely by the events of the war.

B. Readings 380-81. See also 128, 322-25, 327, 328.

C. 1. State in its main outlines the "gild" scheme for the reorganization of industry. 2. Enumerate and explain the differences between "state" and "gild" socialism. 3. How has the position of capital, labor, and the state in America been affected by the war? 4. Make a critical estimate of gild socialism.

D. 1. "The antecedents of gild socialism are to be found in the tradition of the pre-machine industrial community, in the distrust of centralization emphasized by the war, and in the industrial conditions in the coal industry which is England's leading men's trade." Connect these historical antecedents with the gild movement. Mention others of importance.

2. "The centralization of industry, under a legalistic scheme of control, with government officials at the helm, using a slow, cumbersome, unco-ordinated, impersonal, and routine method of administration, is bound to fail." Make definite each of the adjectives employed above. Is this indictment fair?

3. "State socialism would superimpose from above; gild socialism is to be worked out from below. The former would substitute for the capitalist an aristocracy of governmental officials. The latter would place industry under democratic control." Make clear this statement of differences. Do you agree with it?

4. "Gild socialism and Whitley councils are incompatible. Gild socialism provides for labor assuming nothing less than full control of such industrial functions as it takes over. The Whitley scheme provides for joint control of functions." Point out in detail this essential difference.

5. "Gild socialism is evolutionary. Its program is to be gradually realized. No gild socialist can predict the details of the scheme of control which will eventually go into effect." Explain.

6. Why has the appearance of gild socialism raised anew the question of the nature and extent of sovereignty in political science?

7. Contrast the scheme of gild socialism with the French proposal of syndicalism. Why has neither of these schemes found a large or serious following in the United States?

100. Some Reconstruction Programs

A. The war has left its heritage in a large array of complete programs of reconstruction. The nature, scope, intent, and variety of these can be shown through selected samples. For the purpose the programs of the United States Chamber of Commerce, of the Catholic church, and of the British Labor Party are quite adequate.

B. Readings 382-84. See also 111, 132, 133, 166, 196, 326-32, 397, 404.

C. 1. Account for the appearance of programs of reconstruction. 2. What range of persons or organizations are responsible for the programs? 3. What proposals do you find common to the three programs given in the readings? 4. With which of the three programs are you most nearly in agreement? 5. What is gained by throwing

proposals together into programs as against considering their specific items separately?

D. 1. "In the wake of the war have come two opposing tendencies. On the one hand there is everywhere a spirit of idealism. On the other there is a disposition to trust to unconsidered dogma rather than to face the sober facts of the present situation." Is this accurate? How do you explain the paradox?

2. "The proposals in the program of the United States Chamber of Commerce have as their objective the furtherance of those things which give opportunity for immediate money-making. They do not aim at the real welfare of the people of the country." Is this true? At what would you expect a program of commercial men to aim?

3. Test the program of the Catholic church in terms of the ideals of the mediaeval church for the regulation of trade and of industry. Is it based upon the doctrine of stewardship? Does it take adequate account of modern conditions?

4. "The modern church before the war was without a function. If the church is to survive it must return to the tradition of being an agency of control in behalf of the common good, a tradition which guided its avowed policy in the Middle Ages." Discuss.

5. Why is the program of the British Labor Party not an expression of the attitude of organized labor in America? On the basis of this program, point out the chief differences between the labor movements in the two countries.

6. "The problem of reconstruction we have with us always." Why?

XVII. THE CONTROL OF INDUSTRIAL DEVELOPMENT

101. Industry an Instrument

A. After a survey of a large number of economic problems, our study comes back to the question with which we started, namely, that of the control of industrial development. By this time we have noted that our scheme of control depends upon the ends which we would have society attain. We need to note that industry is an instrument and that if we know our ends we can—within limits—make it serve our purposes.

B. Readings: Introduction to XVII, 385-87. See also 6, 42, 43, 70, 133.

C. 1. How do we come back to a consideration of the question of control with which the course started? 2. Have we ever gotten away from it? 3. What is meant by calling the industrial system an "instrument"? 4. Define and criticise Tawney's idea of a "functional" society. 5. Appraise the ethical principles to which Tufts insists that industry should be made to conform. 6. What problems are raised by the proposal of the British Labor Party that "surplus wealth" should be used for the "common good"?

D. 1. Show how the particular problems with which this course is concerned are aspects of the large problem of controlling the development of industrial society.

2. Show that we could not escape trying to control development, even if we wished.

3. How far back can you trace the idea that "industry" is an "instrument"? Is it new or old? Is it conservative or radical? With what organization has it had the closest association?

4. "To state that the agencies and instruments in society should perform 'functions' is not to settle a problem but to raise one." Show that the attack and the defense of the "present system" has alike been premised upon a doctrine of function. Has anything been gained by Tawney's restatement of the problem?

5. "Private property, inheritance, freedom of contract, pecuniary competition, the price system, and the other 'arrangements' which make up the prevailing economic order are to be defended because of the socially important functions which each of them performs." With this as a text make an elaborate defense of the institutional structure of modern society.

6. "Natural right, like divine right, is the last defense of indefensible privilege." Defend or attack.

102. Control by Magic—Panaceas

A. The multifarious and bewildering character of our industrial society and the interdependence and complexity of its problems have 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.

B. Readings 388-91. See also 194, 373, 380.

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?

103. Control by Method

A. Few will contend that the making of utopias is not socially desirable. Few will deny that agitation has accomplished much that is good in the world. Yet, for the double reason that an intelligent solution of most of our problems requires technical knowledge and that scientific method is in use elsewhere, it seems imperative that method—rather than agitation—be applied to the arrangement of our industrial system to the end that we may get most out of it.

B. Readings 392, 393. See also III, 133, 165, 196, 320, 321, 363, 384.

C. 1. How are problems of technique and the organization of the shop handled? 2. How are problems of the organization of the industrial system handled? 3. Account for the difference. 4. How is the "socialization of knowledge" effected at the present time? 5. Can the process be improved? 6. Are we prepared to put the settlement of our economic problems upon a scientific basis?

D. 1. "The whole machinery for dealing with the problems which concern the administration of the industrial system rests upon

a non-scientific basis. Are the conservatives of the present day "economic scientists"? Are the radicals? Can our legislative bodies deal in a scientific way with the problems that confront them?

2. "The problem of the conservation of human resources can be stated in scientific terms. A body of scientific knowledge which will enable the problem to be adequately solved is in process of growth." By reference to employment management, child labor, women in industry, industrial fatigue, industrial physiology, and kindred topics, translate the two statements above into definite terms.

3. Give several examples of the rapid socialization of knowledge during the war. Why is the normal peace-time process so much slower?

4. "Knowledge of industrial technique is fully a generation in advance of its application." Illustrate. Can the same statement be made about economic organization?

5. "Once in business and politics alike the personal judgment was all-important. Now the facts to be covered by any judgment are too many for any man to gather by personal observation. They can all be assembled for judgment only in the form of a quantitative statement." Expand and illustrate.

6. Show that modern control requires of the business or governmental administrator an acquaintance with quantitative method. Would you recommend requiring a knowledge of accounting and statistics of all business men? of all governmental officials? of all college students? of all under-officials in business or government charged with discretion?

104. Checks on Development

A. But let us not forget that there are formidable checks on development. One of these is a conservatism that properly refuses to surrender the old until the new has made out its case. A second is a scheme of vested interests that opposes all change because it will interfere with pecuniary rights. And there is a third group of institutional factors that tend to arrest development. 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. Readings 394-96. See also 287, 336, 340, 347, 348, 382.

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?

105. Control by Education

A. In its long-time aspects the problem of control involves the use of the educational system; for action is largely a matter of

opinion and knowledge, and the educational system exists for the spread of knowledge and the organization of opinion.

B. Readings 397-401. See also 48, 383, 384, 392, 393.

C. 1. Show by specific examples how education is a means of control. 2. When was education divorced from industry? 3. How can a proper co-ordination of education and industry be effected? 4. Should the education of the masses be purely vocational? 5. Outline the elements of a program of education which you would make compulsory for all in a democracy. 6. What is the function of the college in an industrial society? in a democracy?

D. 1. "The great superstition of the nineteenth century was education. Its theory was that knowledge made men more discerning of the common good and more willing to serve it." Do you agree?

2. "Education is necessary to the conservation of our human resources." Point out how the industries of the country have been led to the establishment of schools for their employees. What human resources are not likely to be conserved by a system of education voluntarily established by business houses?

3. "Education is necessary to the utilization of knowledge." Make an argument leading to this conclusion, using illustrative material.

4. "Education is necessary to the organization of opinion." Show that without organized opinion no scheme of reform can hope to succeed. Show that the formation of intelligent opinion necessitates access to the facts and opportunity to determine their meaning.

5. "Education is necessary to protect all of us against the ignorance of the uneducated among us." Elaborate the positive conception of education implicit in this quotation.

6. What standards should a system of vocational education for the laborers of the country meet?

7. Should tastes be developed in children which, under the existing organization of society, they will never be able to satisfy?

8. Show how one's conception of a scheme of education is bound up in his conception of the nature of society and the place of the educational system in it? Is the present public-school system based upon an adequate conception of the particular function which education has to perform in a society organized on an industrial basis?

9. Outline a course of study which you regard as furnishing a basic primary culture for a democracy.

10. What contributions are made by the college to the organization of knowledge? of opinion? of happiness? What place has the college in the direction of the development of industrial society?

106. The Future of Industrial 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. Readings 402-4. See also 1-3 and Introductions to the various chapters of *Current Economic Problems*.

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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