





THE LIBRARY
OF
THE UNIVERSITY
OF CALIFORNIA
LOS ANGELES

BOOKS BY FREDERIC C. HOWE

DENMARK, A COOPERATIVE COMMON-
WEALTH RULED BY FARMERS

THE HIGH COST OF LIVING

WHY WAR

THE ONLY POSSIBLE PEACE

PRIVILEGE AND DEMOCRACY IN AMERICA

THE MODERN CITY AND ITS PROBLEMS

THE LAND AND THE SOLDIER

EUROPEAN CITIES AT WORK

SOCIALIZED GERMANY

THE CITY; THE HOPE OF DEMOCRACY

THE BRITISH CITY, THE BEGINNINGS OF
DEMOCRACY

WISCONSIN, AN EXPERIMENT IN DEMOC-
RACY

Revolution and Democracy

BY

FREDERIC C. HOWE

Author of The City, The Hope of Democracy; The British City, The Beginnings of Democracy; Privilege and Democracy in America; Wisconsin, An Experiment in Democracy; Socialized Germany; European Cities at Work; The Modern City and Its Problems; The Land and the Soldier; Why War; The Only Possible Peace; Denmark, A Cooperative Commonwealth Ruled by Farmers; The High Cost of Living.



NEW YORK
B. W. HUEBSCH, INC.

1921

COPYRIGHT, 1921, BY B. W. HUEBSCH, INC.

PRINTED IN U. S. A.

H/C
186
H. B. 1. 2

CONTENTS

CHAPTER	PAGE
I LABOR	1
II COAL	7
III FOOD	13
IV CIRCULATION	22
V LAND	41
VI CREDIT	52
VII ALIEN CAPITALISM	63
VIII OPINION	70
IX CULTURE	79
X EXPLOITERS	92
XI THE STATE	98
XII POLITICS	116
XIII OVERHEAD	127
XIV FEUDALISM	144
XV CIVILIZATION	157
XVI SABOTAGE	171
XVII A NATURAL SOCIETY	182
XVIII RUSSIA	189
XIX FREEDOM	196
XX THE FIRST STEP	202
XXI FREE COMMUNICATION	209
XXII FREE CREDIT	217
XXIII INDUSTRIAL DEMOCRACY	224

1677204

INTRODUCTORY

For fifty years the world has been drifting into the condition in which it now finds itself. The disordered state of Europe and of America is traceable to the same causes. International conditions are a mirror of domestic conditions. The treaty of peace as well as the industrial collapse within the individual nations is a product of an economic evolution which has resulted in a privileged society which has come to control not only the internal governments of the world, but international relations as well.

Fifty years ago there was an approach to equality of opportunity. Competition was the prevailing note in industry. Business was organized in small units. Men worked willingly. Values were fixed by production costs. Nations were largely self-contained. International finance was limited to the settlement of trade balances. There was equal access to the raw materials of the world. Imperialism was confined to a few subject countries. Freedom was the prevailing note in trade, in commerce, and in industry. This was true not only in America; it was

true of Great Britain, France, and Germany as well.

A change began in the closing years of the last century. Industry took on monopoly forms. Monopoly interests acquired control not only of the major industries, but of raw materials, of fuel, of transportation, and of credit. These same interests reached out to control similar opportunities in other countries. Protective tariff laws were enacted by all of the greater powers save Great Britain. Billions of dollars were invested in foreign loans, in concessions, and in exploitation. The world was parceled out into spheres of economic influence. There was a rush for other peoples' lands, for gold, copper, iron ore, petroleum, rubber, cocoa, timber, and tropical products. Monopoly interests first acquired control of the basic industries at home, and then went forth with the aid of the state and international finance, to acquire similar monopolies in other lands. In the decade before the war, the greater powers of Europe were in conflict all over the world. The conflict was economic. It was also political. It was traceable to the struggle of monopoly interests to increase their possessions and their power both at home and abroad.

During these years industry changed in form. There was more or less complete monopoly in all the relations of life. The transition took place in much the same way and at about the same time in all of the greater powers. By the end of the century monopoly had become the main objective of the

governing classes not only in America, but in Great Britain, Germany, France, and Russia as well.

During these years of monopoly conquests and financial imperialism, business interests discovered that the road to economic profit and power was through the political state. They discovered that a man may labor for a lifetime with his hands or his brains and have no more at its close than when he started. They learned that wealth created by labor never amounts to a very substantial sum to any man. But by the use of the state, wealth beyond measure can be amassed. And they have taken possession of the state for that purpose. They have used it to create special powers and privileges of various kinds. These privileges enable those who possess them to levy tribute on every one else. They collect pennies, dimes, and dollars from the millions, and by so doing accumulate millions for the few. They do this in a variety of ways, but chiefly by laws relating to a few fundamental economic processes. Through these processes they control our economic and our political life. And inasmuch as these privileges can only be secured by first controlling the state, they have acquired control of the state. In fact, they have become the state. And being the state, they legislate, first to create economic privileges, and then to protect them and to increase the tribute which they collect.

While the people seek to correct abuses which be-

set them by condemning, arresting, and seeking to punish individual offenders, they permit the state itself to create conditions that make these abuses inevitable. On the one hand, we punish. On the other, we invite the offenses of which we complain and give them the sanction of legal approval.

The condition of America and of the world can only be understood when we understand these elemental facts. The greater powers of the world are ruled by a class, by a class that enjoys power and wealth through and by control of the economic state. They control the lawmaking agencies, the administrative agencies, and international relations as well.

At the outbreak of the war the governing and the owning classes in the greater powers were substantially the same. They owned the same things; they had the same interests and the same point of view. They shaped the psychology and the policy of their governments to the same ends. Financial capitalism replaced landlordism in political power. In Europe the financial and the landed classes were merged into a ruling group. They controlled the state, not only to protect the privileges they had secured at home, but to extend their power through imperialism over the outside world.

The war enthroned the profit-taking, privileged, imperialistic groups. They found they possessed a power they had never fully realized, and they used it as they had never dared to use it before. They

were astonished at the profits to be made through the state. The necessities of the war and the absorption of the people in patriotic endeavor enabled them to cement their power still further. The economic state and the political state were so merged that they could hardly be distinguished. The ruling economic group became the ruling political group. Privilege identified the state with itself. It was willing to send the state to war to protect its imperialistic privileges. It was willing to sacrifice the state in the midst of war for the protection of these privileges. It took unparalleled profits while men were dying by the millions. It pledged itself to the freedom of the world while it made secret pacts to hold the world in serfdom.

This was the condition of the world at the end of the great war. The Allied powers had called mankind to arms to free the world from force and from economic privilege. But the peace which has been given us enthroned force and sanctioned economic privilege as it was never sanctioned before. The peace was not made by Lloyd George, by Clémenceau, by Orlando. *The peace was the inevitable result of the ascendancy of economic groups in the victorious powers who owned or represented privileges which they sought to have sanctioned by the peace conference.* The belief that President Wilson could have controlled these groups or interests was so fatuous a stand that any one familiar with the

governments of Europe should have known it. That Lloyd George, Clémenceau, or Orlando could have made a peace based on the principles of freedom laid down by President Wilson was equally fatuous. The governing groups, the parliaments, and the ministries of the Allied powers would not have tolerated a ministry or a peace that failed to protect the privileges that the governing classes in these countries owned and had struggled for years to secure at home and abroad.

The peace treaty was not given us by wicked men. It was not a personal betrayal of promises or guarantees. It was a peace that is perfectly responsive to the will of the groups and classes that control their respective governments. The peace was not made by peoples. It was not made by individual men. It was made by iron, by coal, by oil, by tropical resources, by trade privileges, and by those economic forces which had come to control the domestic life of the Powers, Allied as well as Central. The treaty of peace was the last word of capitalism; of a capitalism that had become a system of world imperialism.

The capitalistic world is now in a state of collapse. The economic state is being strangled by privilege. The profit-making motive has been carried so far that the world is deadlocked. The domestic life of the greater powers is deadlocked.

Class laws have made it difficult if not impossible for the world to function. And to protect the privileges and sustain the imperialistic peace that has been imposed on the world, the class ruled states resort again to force to suppress any effective protest. They continue to arm and equip themselves, not from fear of one another, but from the fact that when a ruling class reaches a certain pinnacle of privileged power, it turns instinctively to force because of the insecurity of its possessions. Great Britain is exhausting herself in Mesopotamia, in Ireland, in India, in Turkey, not because Great Britain has anything to fear from a free world, but because the privileged classes are blinded by apprehension. They may even destroy the state in their efforts to protect their privileges. It is not fear of Germany alone that leads France to exhaust herself in Syria, in South Africa, or in Poland, or even in maintaining a cordon sanitaire about Germany. It is rather fear for her far-flung investments that are interwoven with the peasants and the exploiting banks in Paris, which in turn are so powerful with the government that they shape and mold the foreign policy of the country.

Germany is being strangled by the terms of the peace. Austria is dying by virtue of the fact that her resources have been taken from her and she has been isolated from the outside world. Hungary is in but little better plight. Poland has been driven

to make war for imperialistic conquest at the instance of the Allied powers; while Russia has been subjected to an embargo, partly through fear of her ideals and partly to coerce her to pay her indebtedness to France. Nearly 300,000,000 of the 500,000,000 people in Europe have been tied hand and foot by the Allied powers. They have been tied by a privileged peace drafted not by the peoples of these countries but by the representatives of privileged interests in these countries.

The same blind instinct for privilege at home led to the erection of protective tariffs at a time when the world needs freedom of communication more than anything else. That is the only way to bring the world back to life. The world needs a fair distribution of shipping, of raw materials, of coal, iron ore, copper, lumber, and other essentials of industry. The great need of France is to permit Germany to rise from the ashes. But Germany can only rise when the amount of the indemnity is fixed; when she has access to coal and to iron, to copper and to oil; when she dares to build locomotives, ships, and means of transport with the assurance that they will not be seized by France. Great Britain in turn needs that France should release Germany so that Germany can again become a customer of England; so that German factories can produce the goods to clothe and feed and give work to 67,000,000 people. Until the terms of peace are redrawn along the lines of freedom, until the economic obstacles

that have been imposed on the world are razed, it will not be possible for the world to go on. It will not be possible for the nations of Europe to produce. It will not be possible for them to establish a stable ratio of exchange. It will not be possible for them to retire their paper money or raise the value of their securities so that they will be acceptable to investors either at home or abroad.

The same privileged classes are ascendant in the United States. They too are contributing to the death of the world. We have loaned something less than \$15,000,000,000 in some form or other to the countries of the world. They owe us interest. They owe us the principal. They can only pay in one of three ways: in gold, of which they have little or none; in bonds or paper money, which have a depreciated value; or in commodities. If they are permitted to pay in commodities, exchange would re-establish itself. The value of the securities which we hold would be increased. Trade would revive, as would all industry. Europe would then buy our iron, our cotton, and our wool. Europe would buy our foodstuffs which lie hoarded or rotting in the West. But the United States, like Europe, has adopted a policy of economic isolation. We refuse to buy from other countries. We have determined that Europe shall not pay us in the only thing that has any value to us. We insist on selling, but refuse to buy. And the incoming administration is

pledged to raise the prohibition against foreign imports still higher.

The United States has added its weight to the destructive embargo on the life of the world. We too are destroying ourselves, as France and Great Britain are destroying themselves. We want our cake and want to eat it. It cannot be done. Not only will Europe go bankrupt in this destructive process, but we too will drift in the same direction.

To use a term that has been applied solely to labor, the economic life of the world is being destroyed by sabotage. Through sabotage capitalism is destroying itself. It is making it impossible for the interdependent world to go on. The same thing happened in a somewhat different way after the wars of Rome and Carthage. Carthage never recovered. Rome went into decline. Rome destroyed her freeman farm owners through land monopoly, through usury, and through the importation of slaves to cultivate her fields. This was made possible by the tribute which Rome collected from conquered lands; a tribute not very different from the tribute America took from the nations of Europe in the form of war profits, which profits enthroned in power the profit-making class that now uses the government to give permanence and protection to privileges and profits which the war made possible.

The sickness of society will not be cured by slight

modifications in the treaty of peace. It will not be materially helped by disarmament or by a reduction of the burdens of taxation. The world will only come back to life when it produces freely, when it communicates freely, when it exchanges freely. And it cannot do these things under the restrictive, privileged peace imposed upon it at Versailles. The victors are suffering with the vanquished. There must be a new renunciation of privileges, or there will be something like a revolution that will destroy the privileges that those who possess them will not themselves voluntarily relinquish. Explanations that blink the fact that the world is tied like Gulliver by a thousand thongs explain only the superficial facts. The truth is that the life of the world is being strangled by a privileged group of men possessed of national and imperialistic grants and interests, which they have sought to make inviolate through the treaty of peace. It is these interests that have insisted on the destructive indemnity from Germany; that sought control of the eastern Mediterranean and of Africa. It is these interests that seized on Mesopotamia and the Mesopotamian oil fields, and on similar resources in South Russia. It was they that divided South Africa. They stripped Germany and embargoed Russia.

Sabotage is the most pervasive thing in the society in which we live. It is present in almost every industry and in every profit-making service. It is the

controlling motive of our major industries. It is dominant in domestic as it is in international affairs. President Wilson laid down a program of freedom such as Jefferson, as Lincoln, as Cobden might have urged. It was hailed by the whole unprivileged world. But the peace that emerged was a peace of sabotage. It was a peace dictated by the desire to control industry; to control transportation; to control raw materials, to control fuel, to control banking. The peace of Versailles was the final step in the evolution that began about the middle of the last century, and which has continued uninterrupted ever since. Monopoly first rose to power at home. It then reached out for imperialistic possessions in other lands. It used the government to protect its imperialistic concessions. War came as a result of a conflict of imperialistic interests. And the peace that was given us is a peace that sanctions imperialism and aims to protect from interference the imperialistic division of the world.

Occasional men like Anatole France have told us that Europe is dying. *Europe is dying. Austria is dying. Poland is dying. Germany is dying.* And because of the death sentence imposed on these countries, Great Britain, France, and Italy are dying as well. Russia refuses to die. She refuses to be sabotaged by the Old Régime, by the old inefficiency, by debt and taxation to pay for the wastage of privileged rule. Russia prefers to die, if she is to die, by

disorders, by revolutions, by giving the natural economic instincts of the people a chance to play. Unhappily Russia too is sabotaging. She is sabotaging freedom. If this is a permanent policy of communism, Russia too will pay the cost of its suppression of freedom. But if this is merely a transition stage made necessary or deemed necessary by counter-revolutions, by the imperialistic assaults of the greater powers, by the necessity of securing some kind of stability, which is to be changed when security is obtained, then we may see in Russia a new kind of a state, a state in which the natural instincts and powers of the people are given an opportunity to play as they have never been permitted to play in the history of the world. For freedom is the only way out of the economic impasse which is blocking the recovery of a world already all but destroyed by war.

CHAPTER I

LABOR

SABOTAGE is new in America. Up to recently men worked willingly. They expected to rise in the world and themselves become employers. They were moved by hope; they were inspired by the success of their fellows who had risen from the bench or the forge. Within the last few years, however, and especially since the war, a change has come over the worker. Labor, it is claimed, is slowing down. Production is being checked. The worker is taking advantage of his power. This complaint comes from all over the country. It is claimed that America is not producing to anything like its capacity. Something very like sabotage is creeping into our industrial processes.

In the fall of 1919, the shoe manufacturers of Massachusetts brought suit against their employees, on the ground that they were loafing on their jobs. The men had demanded an increase in wages before a wages contract had expired. The employers declined to meet this demand. Instead of striking,

the men reduced their output. They slowed down their efforts. There was a silent strike. To meet this condition the employers applied for an injunction to compel the men to increase the output.

Similar complaints are heard of the printers and pressmen of New York, of the miners and steel workers in the Pittsburgh and Chicago districts. It is heard from the lumber mills of the Northwest. Suggestions of labor sabotage have become so general as to constitute a grievance. Men are getting higher nominal wages than they ever received before. Prohibition has reduced labor waste and increased the efficiency of men. The eight-hour day has become the standard of a day's labor. Men should work more willingly and produce more than in the past. The employer says that the reverse is true. Men work with deliberation. Their tools are not in place. Materials are not satisfactory. Sometimes there is an unaccounted breakdown in the machine.

In December last, the *New York Sun*¹ made an investigation of complaints of labor conditions in different parts of the country. It reached the conclusion that in many industries men were not working as they had in the past, and that in consequence the output per man was reduced in some sections by from 15 to 50 per cent. An investigation by the Research Department of the National Association of Credit Men estimates the average ratio of labor

¹ Issue of December 1, 1919.

efficiency at 73 per cent. and an enquiry by the *New York World* placed it at 75 per cent.

The employers treat the evil as though it were personal and could be corrected by the injunction or by some kind of force. But employers are not in a position to complain. They too limit production. They reduce output to keep up prices. Monopoly profits come from restricted production. Profits would be reduced by working to capacity, by the operation of the natural laws of demand and supply.

THE NEW PSYCHOLOGY

Labor has adopted the rules that prevail in industry. Labor is able to use these rules because of the shortage of workers. For the first time in history, labor enjoys a quasi-monopoly. This is one explanation of labor slacking. But there is a deeper reason. It is psychological. The human element in industry is divorced from interest in the quantity or the quality of output. Men have no part in the management. They do not share in the profits. Their return is fixed by the wage scale. It is measured in the pay envelope at the end of the week. The worker has little contact with the employer. He has become a number, a brass check. He no longer owns his tools. He performs possibly a single function. He attaches a nut to a machine. Why should he produce more than he has to? Why should he be concerned over the volume or the quality of the output?

Moreover, the interest of labor is opposed to quantity production. The less effort the worker makes, the longer the job will continue. The workman who works to capacity is working against his own interest. He may terminate his own employment. He may increase the number of men out of a job. And the man out of a job is a standing menace to the man who has a job.

Labor also is treated as a commodity. It is bought in the lowest market. It sells in the highest market. Being merely a commodity, it sells as little as possible and gets as much as possible. This is good business. Labor is learning to drive a business bargain in the business world. Capital should not complain, for capital treats labor as a commodity. That is one of labor's complaints. Nor has society a right to complain. For society has created an industrial system in which the worker has no share in the management and enjoys no return from increased effort.

COST TO SOCIETY

There is no doubt but that the wages relationship is not working well. Labor is taking advantage of the shortage of workers. In some industries it is making silent war on the employer. But labor is not striking against the employer alone. For the employer shifts the cost to the public. Labor is striking against society. For society wants wealth.

It wants food, coal, lumber, machinery, clothes, shoes, and commodities of all kinds.

Sabotage is the result of the passing of the old hopes and ambitions and the definite establishment of the wages system. We may protest against it; employers may seek mandatory injunctions; the courts may jail the agitator and make strikes illegal — society may do all of these things, but sabotage will not be ended by force. It will not be ended by the injunction. Nor will moral appeal have any effect. We can only end sabotage by changing men's relation to their employment, and we can only do this by the creation of psychological forces that will automatically impel men to produce willingly and to enjoy their work as well. There is no other way save force or hunger to call forth the efforts of men and these forces cannot now be applied. Sabotage, withholding efficiency, slacking, the silent strike these tendencies are likely to continue under an industrial system in which the worker has no interest in his work.

The wages system seems to have reached its logical conclusion. It will linger for a long time, but as a system of industry it has lost its vitality. It no longer satisfies men. This is the meaning of the spirit of industrial unrest not only in America, but in Europe as well.

This is the opinion of Mr. Fred J. Miller, President of the American Society of Mechanical Engineers, who says:

“ Our industrial problems of to-day follow from the fact that the relations of employer and employee are still based on the old ideas of slavery and of the patriarchal system. We still believe that the workman ought to be grateful to the employer for having employment. We still consciously or unconsciously regard the workman as somehow inferior or of less importance than the employer.

“ As long as management is based upon such ideas, there will be no end to our industrial difficulties. It is the common thing to-day to jump on the workers and to denounce them indiscriminately for restricting production. But it is equally true that a restriction of production is carried on by employers on a large scale. It is notorious that in the anthracite coal industry, both employers and workers have for years restricted production by strikes, lockouts, and in other ways. It is futile to ascribe all our ailments to ‘wicked workers.’ If there are wicked workers, then there are also wicked employers, and the important thing to remember is that the common run of humanity is the same throughout all industries and in all conditions of society.”

The industrial system, not the individual employer, not the wage earner, is at fault.

CHAPTER II

COAL

THE bituminous coal miners went on strike in 1919 for a six-hour day and a thirty-hour week. This seemed an unreasonable request. It was resented by the public. The operators said the men wanted more pay and shorter hours. But the men replied that they wanted to work more hours than the coal operators permitted them to work. The miners claimed they were employed less than thirty hours a week; that the mines are idle a great part of the time in order that the operators might charge a higher price for the output. This contention is supported by the United States Geological Survey, which shows that out of a total possible working days of 304, the men worked from 195 days, in 1914, to 299 days in 1918. In 1916 the miners worked 198 days in Illinois, 187 days in Indiana, and 197 days in Ohio. Since the armistice the average hours of work have been cut to 62.5 per cent., or to 30 hours out of a possible 48 hours a week. While this is true the country is paying monopoly prices for coal, and is periodically confronted with a fuel shortage.

No one doubts that our coal supply is adequate

for every need. There should be no fuel shortage in any part of the country. Anthracite and bituminous coal is deposited in abundance from the Atlantic to the Pacific. It is found in Pennsylvania, Ohio, West Virginia, Tennessee, Indiana, Illinois, Colorado, and Wyoming. A coal famine would be easily avoided if coal mining were intelligently organized. And coal could be sold far below its present cost — a cost fixed by monopoly control of the basic industry of the country.

COAL PROFITS

Coal operators, like labor, are unwilling to produce to capacity. Capacity production means competition. Competition brings down prices to the consumer. It reduces profits! Under competitive conditions coal would sell at cost, plus a reasonable return on capital. A few years ago bituminous coal sold at from \$1 to \$3 a ton, where it is now selling at from \$5 to \$20 a ton. The labor cost of production is reported at below \$1.40 a ton. A recent report of the Federal Trade Commission indicates the exorbitant profits of the bituminous mine operators. So does a recent statement of Mr. W. G. McAdoo, who says that profits ran as high as 200 per cent. during the war. In some cases they were as high as 1000 per cent. According to the report of the Federal Trade Commission on the bituminous coal mining industry of western Pennsylvania, the operators kept only 6 cents out of every dollar in 1916, whereas

in 1919 they kept 23 cents out of every dollar, or an increase of nearly 400 per cent. Official investigations of over 400 coal companies disclosed that they earned dividends in excess of their total capitalization, real and fictitious, during the war.

The coal operators, like the workers, sabotage production. In so doing they sabotage society. They sabotage all industry as they do the individual consumer.

The mine owners say the blame should not all be laid at their door. They protest that their output is fixed by their ability to secure cars. They can only mine coal if they can carry it to market. They can only employ their men 62 per cent. of the time, they claim, because of the refusal of the railroads to haul their product.

ECONOMIC MOTIVE FOR SCARCITY PRODUCTION

It is to the interest of the railroad owners, as it is to the interest of mine operators, to suppress competition and limit production. Railroad stockholders are owners of coal mines. They own 96 per cent. of the anthracite coal of Pennsylvania. They own a great part of the bituminous coal all over the country. Even though the law forbids direct ownership by the railroads, ownership is lodged in corporations made up of the directors and stockholders of the railroads. And the railroad stockholders give their own coal the preference. They discriminate against competitors. They do not

make prompt deliveries. They often deny coal cars altogether. It was by these means that the independent coal operators of Pennsylvania were crushed out. One after another was driven out of business or acquired by the anthracite coal roads. The bituminous coal supply has been monopolized in the same way.

The railroads, like the mine operators, are interested in a coal shortage. They are interested in suppressing free production. In the process, they sabotage industry and society as well.

Railway directors often make more money out of coal than they do out of hauling freight. Freight rates are fixed by the Interstate Commerce Commission. The law declares they should be fixed at a reasonable figure. The price of coal is not. The capital stock of the railroads is widely held. Not so with the coal mines. The railroad mines are owned largely by the directors and stockholders of railroads, who have capitalized them far above their purchase price, and who make more money out of the sale of coal than they do out of their small holdings in the railroads. It is thus to their interest to block the free production of fuel, for the free production of fuel interferes with the monopoly prices which they enjoy.

SCARCITY PHILOSOPHY

Scarcity, not plenty, is the rule not only of coal but of all basic industries. Withholding production is

becoming the rule of modern industry. It is becoming the rule of our economic life. It is true of almost all industries that enjoy a monopoly; it is especially true as to raw materials, iron ore, coal, lumber, copper, and oil.

Speaking on this subject, Mr. Walter N. Polakov, a well known consulting engineer, said:

“The current talk about efficiency and increased production is misleading. As a matter of fact, increased production in the aggregate is not desired. It would lead to a fall in prices which would cut heavily into profits. This is the last thing those who are in control of industry wish.

“The trouble arises from the fact that a shortage of commodities means higher prices and that higher prices is what our manufacturers and merchants want. The talk about increased production is a result of a confusion of ideas. What each owner of an industrial plant wants is an increase in production in a particular plant, as against every other plant. But even this desire is thwarted by a knowledge that inefficiencies in management which lead to decreased production will be paid for by the consumer in higher prices. That is why, regardless of all the talk about efficiency, we find employers unwilling to introduce new methods of organization, which mean increased production.”

The sabotage of which we complain by labor is not confined to labor. Scarcity philosophy had its origin in the protective tariff. It inspired the organi-

zation of the trust. It is the underlying motive of all monopoly. Scarcity, not plenty; dearness, not cheapness, has become the accepted economic philosophy of American industry.

CHAPTER III

FOOD

THE production and distribution of food is universally sabotaged. This explains the high cost of living in America where food should be both cheap and plentiful. Up to a generation ago food was produced and distributed freely from the farm to the consumer. There were few intermediaries in its handling and the railways coöperated willingly in developing local production.

It is not possible to control the production of food at the source as is done with coal, lumber and mineral products. Food is sabotaged after production. It is not permitted to reach the consumer. Often it is not permitted to leave the farm. The labor and capital which have gone into its production are lost to the farmer and to society as well.

EARLY CONDITIONS IN AGRICULTURE

A generation ago the farmer produced for a local market. He sold his produce in the near-by town. He bartered at the general store. He slaughtered

his cattle on the farm or in the near-by slaughter-house. He was largely self-contained. Agriculture was diversified. The farmer raised cattle, hogs, sheep and poultry. This enriched the soil and maintained its productive power. There were few if any middlemen between the farmer and the ultimate consumer. The prices of food products — meat, flour, butter, eggs and milk — were determined by competition, by quantity production and by quantity consumption. Food was cheap and plentiful up to a few years ago when the speculators began to control the supply.

This is the condition of food marketing in Europe to-day. The city is fed by the surrounding country. Great central markets are maintained by the cities, into which the farmer brings his produce for direct sale to the retail dealer. In Germany, France, Italy, Belgium and Denmark, every town has its own slaughter-house. These stimulate the raising of cattle in the surrounding country. The cattle are killed in the municipal slaughter-house and the local butcher buys from the producer direct. There are over a thousand municipally owned slaughter-houses in Germany alone. There are 44 coöperative slaughter-houses in little Denmark. All of the countries in Europe require that slaughtering be done in public abattoirs or in abattoirs controlled by coöperative societies. This was the condition in America up to the advent of the packing trust. The packers of Chicago destroyed the local slaughter-house.

They did this in a variety of ways, usually by unfair competition.

FOOD SPECULATION

America, which should be the cheapest country in the world in which to live, is possibly the most expensive. American grown foodstuffs sell at a lower price in Europe than they do at home. Many staple articles sell at the same price at the point of production that they do a thousand miles distant. The cost of transportation is often added even though there has been no transportation. A dozen exploiters are often found in between the producer and the consumer.

It is to the interest of the speculators to limit the supply of food. This is done through the control of transportation, slaughtering, warehousing, milling, cold-storage and banking credits. These agencies are in the hands of speculators who first secure control of the supply and then restrict the amount that reaches the market. In order to limit the supply, food is permitted to decay in the fields. It is permitted to rot at terminals. It is dumped into the rivers or denied access to market. Local production is killed in order to prevent competition. After purchase food is placed in warehouses or cold storage plants and held. In a thousand ways our food supply is sabotaged on its way from the farmer to the consumer.

CURTAILING MILK SUPPLY

As indicative of the methods employed to sabotage food, it was recently disclosed by an investigation of the District Attorney of New York City that the milk trust refused to permit the farmers to bring 2,500,000 quarts of milk to market. This was enough to supply every family in the metropolis with two quarts of milk a day. The farmers were producing it. They were eager to dispose of it. But the milk trust, which controls the distributing agencies of the city, refused to permit it to be sold. Representatives of the trust defended its action by saying that there was a milk surplus; they admitted that if the milk were permitted to be sold it would reduce the price. Yet the result of this action was to destroy nearly two million dollars' worth of property a week: the farmers were the poorer by this sum, while the consumers, and especially young babies of the metropolis, were denied food.

Farmers in New York State feed their milk to the hogs, while babies, according to medical investigations, are dying in the cities for lack of it. The cattle men of the West, the wheat growers of the Dakotas, the truck gardeners everywhere, make the same complaint.

When food is not actually destroyed, it is held in storage. It is denied transportation facilities. It is permitted to decay at terminals to keep down the supply that reaches the market.

SACRIFICING THE FARMER

As a result of this process the farmer is being driven from the land. At the end of a season he often sees his effort wasted because of his inability to find a market. He gives up one kind of produce after another. When he sees the results of his labor left to rot on the ground, when he has it refused by commission men, when the freight rates amount to more than he realizes on his produce, he gives up in despair. This is one reason why agriculture is unprofitable in eastern states and in the West as well. This is one reason why thousands of farms are going out of cultivation. The eastern farmer especially is unable to market his cattle, his grain, his vegetables, and his fruit. He is denied a market by the railroads or the speculative agencies that control his product.¹

Farming is actually being destroyed. It is not alone the tribute the exploiting agencies take; it is the wealth that is not produced that is alarming.

THE RAILROADS AND AGRICULTURE

The railroads sabotage agriculture as they sabotage independent mine owners, independent iron and

¹ The Agricultural Bureau of the State of New York states that 35,000 men and boys left the farms of that State in 1919, while only about 11,000 changed from industry to farming. New York is rapidly being denuded of farmers; yet it is a state of rich soil, fertile valleys and the best market in the world at its doors. Reports of a similar exodus are made by the United States Department of Agriculture, in other parts of the country.

steel producers, independent industry of all kinds. Forty years ago the New York farmer shipped his cattle, his grain, his vegetables and his fruit to New York and Buffalo. The New England farmer shipped to Boston. They had the best markets in the world. Cattle, sheep and hogs were found on every farm. So were dairy cows. The farmer brought his produce to the railway station, and the railway agent solicited his freight, which the railroads gladly hauled to the nearest market. The railroads were part of the local life of the community. They were interested in upbuilding agriculture. If the farmer prospered, the railroad prospered in turn. It got its share from every pound of produce that was conveyed to market. It was to the economic interest of the railroads to encourage the raising of cattle, hogs, sheep, to bring fruit and other farm produce to the near-by city market. In those days there was no meat trust, no egg, poultry, milk and food supply trust. Prices were fixed by competition, and food was plentiful.

LONG HAUL PROFITS

In the closing years of the last century the railroads were consolidated into great trans-continental systems. There are to-day four great systems radiating out from New York to Chicago and the Pacific Coast. The Pacific Coast raises apples, fruit, and farm produce in abundance. The Dakotas, Kansas and Nebraska raise wheat and cattle. California,

Colorado, Texas, Florida and the South produce vegetables of all kinds. It is to the profit of the railroads to haul freight as far as possible. There is more money in the long haul than there is in the short haul. There is a bigger return from hauling food from Seattle or Florida to New York than there is from Syracuse to New York. The feeding of New York City by the farmers of New York State reduces railways earnings. It cuts down profits. It is profitable for the railroads that the East should be fed from distant states. Produce from the Pacific Coast yields possibly a hundred times as much in freight earnings as does the produce of New York and Pennsylvania.

Investigations made some years ago by the State Market Commissioner of New York showed that New York apples, recognized to be among the best in the world, rotted each year on the ground, while train loads of Oregon apples came to New York City with the regularity of express service. The organized agricultural agencies of the state were denied terminal facilities after they had perfected a state organization to sell their produce. Cattle from all over the country are sent to Chicago, and after being killed, the meat is brought back to the point of origin to be eaten.

The farmers of New England, New York, of our Eastern States, cannot slaughter their cattle as they could forty years ago. The slaughter-houses have been bought up by the meat trust or killed by un-

fair competition. They are forbidden or regulated out of business by state laws. In consequence, farmers no longer raise cattle as they did when they had a local market. There are no flocks of sheep on the hills of New England. The farms of the East lack variety. They are robbed of natural fertilizers. They no longer produce all kinds of cattle, because the farmers have been deprived of a market.

Truck gardening has been killed by a similar conspiracy. The commission men buy from distant points. They control the market by discriminating against the near-by producer. The cattle men of the West labor under a similar disadvantage. They are confronted by a combination of the railroads and the packers. In addition to the fact that it is to the interest of the railroads to haul food as far as possible, the interlocking of stock ownership between banks, railroads and the packing syndicate makes discrimination inevitable.

RAILROAD SABOTAGE

Thus the railroads sabotage food production. They destroy agriculture. This is one of the reasons, it may be the most important reason, why farms are being abandoned all over the country.

Food scarcity is not due to the lack of fertility of American soils. It is not due to the fact that farmers will not work, or that the soil is exhausted. The production of food is being sabotaged by trans-

portation agencies, which find it to their profit to haul food as far as possible, irrespective of the cost to the consumer. It is also to their profit to aid the packer and speculator, for the stockholders of both industries are often the same men. Private transportation is unsocial. It cannot be otherwise. We cannot run the railroads for profit, and at the same time run them for service, for there is more money to be made from unsocial, than there is from social operations. The railroads are more responsible for the high cost of living than any other agency. The food problem cannot be solved until we first solve the railroad problem. And we may delay the solution so long that the American farm will be destroyed in the process. This is by no means impossible.¹

¹ An official preliminary report of the United States Census for 1920 discloses a startling exodus from the land. During the preceding ten years the city population increased $7\frac{1}{2}$ times as fast as the rural population. The urban population increased at the rate of 25.2 per cent. during the decade and the farming population but 3.2 per cent. The present urban population is 54,796,100 and the rural population 50,972,000. Ten years ago the urban population was 42,623,383 and the rural population 49,383,883.

CHAPTER IV

CIRCULATION

THE railroads have been handed back to private operation, because private operation is said to be more efficient than public operation. Private initiative, it is claimed, will develop, because it is to its interest to develop, the best transportation system possible for meeting the needs of the country. It is to the advantage of private capital, it is said, to make economies, to promote efficiency, and to develop the agencies of transportation so that they will be serviceable. This is the argument which underlies all others for entrusting the railroads to private hands.

Every one admits the importance of transportation to the life of the nation. Upon it almost every other activity depends. We realized this dependence a few months ago, when an unauthorized railway strike paralyzed part of the nation. The same situation confronted us in the months before the government assumed control. Certain sections of the country were in a state of industrial collapse.

New England was paralyzed. So was western Pennsylvania. The great arteries, east and west, for carrying coal and munitions were clogged with trains which did not move. Not only had the railroad system broken down, it had carried farmers, manufacturers, and workers with it.

The amount of wealth that we produce is fixed by the amount that can be transported. The railroads determine whether coal shall move from the mouth of the mine; whether iron and steel shall reach the shops which convert it into the finished product. The railroads decide for the farmer as to whether his produce will be brought to the market, and a few years ago, wheat, corn and other cereals rotted on the ground in the northwest, because of the failure of cars. This is suggestive of the extent to which the transportation agencies figure in the production of wealth. They control it. It is obviously impossible to expect the manufacturer, the farmer, and the producer to bring forth wealth, unless it can be brought to market.

Is it true that the men to whom the railroads have been returned are interested in developing a transportation system that will serve the nation? Is it to their interest, their primary, absorbing interest, to develop such a system as the country needs? Have they the same interest in developing transportation that the merchant has in expanding his business; that the manufacturer has in building up his plant; or, have the men to whom the railroads

have been returned, other interests; interests more profitable to them than railroading; interests that are possibly hostile to efficient railroading? Have we invited production or sabotage by placing the railroads in private hands?

TO WHOM HAVE THE RAILROADS GONE?

In the first place, the railroads are not operated by the owners. They are not operated by bondholders. They have no voice in the management. They have no vote. They are mere mortgagees. They own \$12,000,000,000 of securities. Nor do the stockholders manage the railroads. The average stockholder does not even attend the annual meetings. At most, he sends a proxy to some one to vote. The railroads have gone back to the men who controlled them before the war. Those men are bankers. The report of the Pujo investigating committee in 1913 disclosed, what was a well-recognized fact, that the main transportation agencies of the country were controlled by four big banking institutions of New York, which banks, through interlocking directorates, consolidated the railroads of the country into what was in effect a single railroad system.¹

This condition has not been changed. All discussion of the railroad question, of efficiency of management, of the service to be rendered, must be

¹ Committee to Investigate the Concentration of Control of Money and Credit. H. of R. Report 1593.

based upon a recognition of the fact that the railroads are operated by bankers.

RAILROADING AND BANKING

The 250,000 miles of railroads of America are not controlled by trained and experienced railroad men. They are controlled by men with thousands of other interests. For the men that control the railroads control the major trusts of America. They control the great banks and insurance companies. They control international and domestic finance. They control iron, coal, copper, the public utility corporations, rubber, sugar, oil and gas. Their interests radiate into hundreds of other corporations scattered all over the land. Each railroad director serves upon scores of other directorates. At most, he can give no more than a fraction of his thought to the railroad business, about which he often knows little more than what is shown by the annual balance sheets.

Are the railway bankers interested in making the railroads serviceable? Or are they interested in other things?

The history of the last twenty years indicates the attitude of banking managers to railroading, to the development of industry and commerce, to the interests of the stockholders and the workers. The bankers are primarily interested in banking profits and commissions. They are interested in issuing new securities. They were interested in such trans-

actions as wrecked the New Haven Railroad, the Frisco, the Pere Marquette, the Rock Island, Chicago & Alton, and scores of other properties. The securities of some of these roads, which had a value like that of a government bond, were depreciated almost to the vanishing point. The capital stock of the New Haven Railroad sold for over two hundred dollars a share. It fell to less than fifty dollars a share. The same is true of the Rock Island system.

These are some of the exploiting interests of the men to whom the railroads have been returned. They are interested in railroad service as earnings affect the stock market. It is to their interest to spend as little as possible on improvements and betterments, in order that they may take as much as possible in profits and dividends.

Here at the beginning, we have an almost unanswerable reason why the Government should have retained the railroads until it could find clean and expert hands to whom it could return them. Our first concern should be that the men who operate the railroads are practical railroad men; that they are men who are experts and are interested in developing transportation to meet the nation's needs.

WILL THE RAILROADS DEVELOP THE COUNTRY?

A railroad should be open to all on equal terms; it should be a public, not a private, highway; it should be operated at the lowest possible cost. It is neces-

sary if industries and communities are to develop, first, that they be sure of a means of reaching their market, and second, that they have equal treatment with their competitors. These should be axioms of railroad administration.

For thirty years the railroads have signally failed to satisfy these requirements. Instead of being impartial carriers of freight, they have been used to foster monopoly and destroy independent industry. It was railway rebates that built up the Standard Oil monopoly from a small refinery in Cleveland, Ohio, into the colossal corporation that it is. The packing monopoly received similar favors. It was permitted to own refrigerator cars, and through such ownership competing packers were discriminated against. The history of the consolidation of the anthracite coal fields is a story of the destruction and bankruptcy of independent coal operators, by the refusal of the anthracite coal roads to give them cars. In this way the anthracite coal roads obtained control of ninety-six per cent. of the coal production of eastern Pennsylvania. The same processes were pursued as to bituminous coal. By these means the railroads acquired or controlled, directly or indirectly, great coal fields. These coal properties are highly profitable. The same is true of iron and steel, which is merged into five major corporations. All these industries now enjoy a favored position in the market because the railroads can grant them cars and deny them to others. They

can grant privileges and favors, which they deny to outside producers. There is no law that can reach these evils under private control.

INDUSTRIAL CONCENTRATION

An examination of the report of the Pujo investigating committee gives some indication of the extent to which the railroads are interlaced with industrial corporations. They are interlaced by common stockholders, by common directors, by common officers. It is impossible for these officers to treat outside competitors fairly, or to permit competition to play freely on any of the corporations in which the railway owners are interested. These corporations include almost every basic industry and every form of food as well.

Here, again, we have a reason why the railroads under private operation cannot serve the country. It is against their interests to develop new business, to open up new resources, to stimulate the productive power of the nation. Rather, their interests are against such development. It is to their interest to destroy, not create, competition; to smother initiative, not encourage it.

Not alone the major industries but thousands of other industries are interlaced with railroad stockholders and directors. The packing syndicate owned or controlled upwards of seven hundred different kinds of industries. These industries, in turn, were linked up with the railroads through the

close relationship of the packing plants with railroad directors. They, too, were in a position to secure favors. They, too, were in a position to kill off competition. There is scarcely a competitive industry of any importance that is not subject to being killed by the railroads, to whose interest it may be and often is to destroy them.

Why, it may be asked, is this true? For the simple reason that the directors of the railroads own only a small portion of the railway securities. Their dividends from this source may be negligible. The rates the railroads may charge are fixed by the Interstate Commerce Commission. The directors and stockholders have much larger holdings and much greater financial interest in industrial plants. They make more money out of these industries than they do out of the railroads. If they can give them exclusive privileges, there is no limit to the profits which they may enjoy. It is not because men are criminal that this is true. It is because human nature instinctively leads men to use their power to increase their economic advantages by any means at hand.

Here is one of the most destructive forms of sabotage. The railroads check production. They limit output. They prevent the production of wealth. They establish an embargo about the farmer, the manufacturer, the mine operator and all labor as well.

RAILWAY SUPPLY CORPORATIONS

Nor is it to the interest of the private owners to operate the railroads economically. The reverse is true. It is to their interest to operate them extravagantly. Under the Cummins-Esch act, recently passed by Congress, the railroads are guaranteed a rate sufficient to yield six per cent. on their property. This guarantee is in addition to operating expenses, and taxes. No more wasteful proposal could possibly be made. It encourages wastefulness, rather than economy. Neither the operating officials nor the stockholders are under any spur to keep down operating costs, for their returns are guaranteed by the nation. This is a cost-plus plan with a vengeance. It is an invitation to waste and extravagance.

There is an additional reason why this is true. Several years ago the Interstate Commerce Commission made an investigation of the extent to which railway officers and stockholders were interested in corporations which dealt with the railroads. This investigation showed that directors of practically all the railroads were stockholders and officers in other corporations, which supplied the railways with every kind of material, including steel rails, coal, locomotives, cars, and equipment of all kinds. Almost every need of the railroads was supplied by corporations in which the railway stockholders, officials and directors were financially interested. Rail-

road officials bought from themselves. Buying from themselves, it was not to their interest to buy cheaply. Operating costs were increased in consequence. It is not in human nature to be over-scrupulous under such conditions.

INVITATIONS TO WASTE

The railroads are the largest single buyers of supplies in the country. They buy four hundred and fifty million dollars' worth of coal alone. They spend hundreds of millions on rails, on locomotives, on cars, on equipment. They have interlocking contracts with the express companies, with the fast freight line companies, with the Pullman Company, with terminal railroads, union bridges, tug and barge companies. They are interlaced with the packers, with cold storage, food and supply warehouses, with advertising concessionaries, with transfer companies, with news agencies, with every kind of supply house which sells materials in which the railroads stand in need. Officials of the railroads even control employment agencies. These agencies secure a commission on every man employed. It is in the interest of these employment offices to hire and fire as many men as possible.

Here we have a condition in which it is to the interest of the railroads to pay excessive prices for equipment, cars and coal, for lighterage and rental, for practically every purchase save labor. These purchases run into the hundreds of millions. Labor

alone is outside of the interlocked commodities under the control of the railroad syndicates.

Efficiency and economy are impossible under such conditions. Human nature cannot stand such a strain. The Interstate Commerce Commission cannot supervise purchases. Neither the commission nor any laws that can be enacted could reach these evils. Years ago, the United States Supreme Court divorced the railroads from the ownership of coal mines. Various devices were immediately adopted by the railroads to avoid this decision. Many railroads created another corporation to which the railroad transferred its coal properties. The stockholders and directors in the coal-mining corporations are the same as the stockholders and directors of the railroads. There are two corporations instead of one. This was the net result of years of costly litigation.

Again under any kind of private operation, the Interstate Commerce Commission is required to permit rates that will pay operating expenses and enable the railroads to secure capital with which to make extensions and improvements. Inasmuch as rates must be the same on all competing roads, and as the directors of the prosperous roads are also stockholders and directors in the weak roads, it is to their interest to promote extravagant expenditures so that the weak roads will be able to demand a freight-rate structure that will confer large profits on the stronger roads. To make the weak roads self-

supporting, strong roads must be given colossal profits. It is impossible under private ownership with the interlocking corporations and interests which must inevitably exist, to avoid these evils or the colossal price which the country must pay in consequence. A guarantee of earnings is an invitation to loose and wasteful management. It cannot be otherwise.¹

WATER TRANSPORT

America has the greatest system of inland waterways in the world. They include the Great Lakes from Duluth to Buffalo with the Erie Barge Canal connecting the lakes with the port of New York. The continent is interlaced with waterways radiating out from the Mississippi, while coastal rivers in New England, New York and the Atlantic Seaboard penetrate inland far from the seaboard.

Water transportation costs about one-seventh as much as rail transportation. It is universally developed by European countries. The waterways of Germany carry almost all of the heavy freight. France, Belgium and Austria have brought their rivers and canals to a high state of efficiency. Being state owned it is to the interest of the community to carry freight as cheaply as possible.

The Great Lakes and the Erie Barge Canal carry less freight to-day than they did twenty years ago. The Great Lakes are in effect a private railroad and

¹ As to the effect of private operation of the railroads on farming and the production of food, see Chapter III.

steel trust preserve. The railroads have killed water transportation. They endeavored to prevent the building of the Panama Canal. They have closed great ports and harbors along the seaboard and have monopolized most of the harbors of the Great Lakes. They have converted waterways upon which the Government has spent millions of dollars into private possessions. Inland water transportation in the United States has been destroyed by the railroads just as a generation and a half ago the railroads acquired the canals built at great expense by the states and permitted them to fall into disuse.

Water transportation means cheap transportation. It means competitive transportation. It could be developed very easily if we were free to do so. But the railroads have sabotaged waterways. They have sabotaged our coastal trade. They have sabotaged our harbors and have throttled the development of transportation which they are dedicated to promote. It is doubtful if we can have inland water transportation so long as the railroads are in private hands. Neither the railroads nor the banks will permit capital to go into waterways development. The railroads will kill such traffic once it becomes a serious competitor to railway freight rates.

HYDRO-ELECTRIC POWER

Mr. McAdoo, when Director General of the Railroads, urged that our railroads should be operated

by hydro-electric power. He pointed to the water power which existed all over the country and which if developed would greatly reduce operating railroad costs and conserve our fuel supply. We already have an example of hydro-electric power development at Niagara Falls by the Province of Ontario. Power is generated in bulk and is distributed from one end of the Province to the other and sold to the cities and to individual consumers at a very low rate. Switzerland has electrified her railroads, Bavaria has done the same thing, as has Norway.

Suggestions have been made by Interstate Commerce Commissioner Robert W. Woolley for central power stations erected at the mouths of the coal mines, which would generate power in bulk for the operation of the railroads. Many valuable by-products would be secured in the process.

The consumption of fuel by the railroads is placed at 150,000,000 tons a year. In addition, 40,000,000 barrels of oil are consumed. It is assumed that the only obstacle in the way of such electrical development is the cost involved. Even this would preclude such development by the railroads. But this is not the main reason why the railroads will not electrify their properties or build central power plants. The owners of the railroads being also the owners of coal mines would lose a market for their coal. The railroads are their own best customers. The directors enjoy enormous dividends from this

source. The railroads' fuel bill is \$450,000,000 a year. The railroads, too, derive one third of their revenues from the hauling of coal; a revenue that would be lost if water power were harnessed and nature did the work directly.

The public has a right to the economy that would come from such a cheapening of power; the public is entitled to the greater cleanliness that would follow. The public also wants cheap light. Factories want cheap power. Our cities and even the country districts could be lighted far more brilliantly with power developed in bulk and distributed from a central station. Moreover an immense amount of coal and oil would be saved.

CONFLICT OF ECONOMIC INTEREST

But these economies, these conveniences, these services, conflict with the profits which the railroad owners make as owners of the coal mines. Social gains run counter to private gains. So the railroads refuse to use or permit us to use the power which nature has placed in our hands, while all of us suffer many inconveniences, we exhaust our limited coal and oil resources as a result of this unsocial condition. The wastage involved runs into the hundreds of millions annually, while the loss and dirt to our homes and to society runs into hundreds of millions of dollars more.

Here again, we find that the monopoly, profit-

making motive in railroading checks improvements; it prevents economies; it sabotages civilization.

Commenting on the wastage in the coal mining industry and the gains which would come from central power stations, Mr. W. H. Polakov, an expert consulting engineer, said:

“ One-third of our railroad freight is coal. The people who control our coal mines have also a heavy interest in railroad securities. Any improvement in the utilization of our coal which would result in decreasing the amount of railroad freight, would diminish the value of railroad securities. This would mean heavy losses to the same financial interests. To prevent this we waste our resources and burden the people with costs of production which make life an agonizing struggle. A proper utilization of our coal resources would reduce the number of men employed in the mines. We could get all the coal we need by eliminating 80 per cent. of our mines and about 80 per cent. of our miners. This means a re-organization in industrial processes which neither employers nor workers are as yet willing to consider.”

RAILWAY EXTENSIONS

Undoubtedly railway extensions are badly needed to develop the productive power of the country. Spurs should be run to coal and iron mines, to copper mines, to docks and harbors. Every large city

needs a unification of its terminals and freight stations. This would develop freight, which in turn would increase the earnings of the railroads. But it is not to the interest of the railway owners to open up new territory, to build new lines, to stimulate production. According to investigations of the Interstate Commerce Commission, the railroads have divided the country into closed districts. Other railroads keep out. Banks refuse to compete in the floating of securities. America is divided into feudal domains, in each of which a single railway system is supreme. There is no particular reason why these systems should expand their mileage. There is every reason why they should not do so if such mileage would bring competition to the industries which the railway owners control. The profits which railway owners enjoy from other industries operate to prohibit the expansion and development of our transportation agencies to meet the varied needs of the country as a whole.

BOYCOTTING THE NATION

The railroads sabotage the country as a whole for the benefit of favored railroads or favored ports, and interests. In so doing they increase the cost to the public. We see this in the upbuilding of favored ports, just as a generation ago the same influence led to the upbuilding of favored industries. The entire eastern seaboard from New York to Florida, as well as the Gulf of Mexico as far west as the Rio Grande

River, contain splendid harbors with a rich hinterland in which traffic could be developed. Many of these harbors have been improved by the Federal Government at great expense. So have the rivers which flow into them. This is true of Baltimore, Norfolk, Charleston, Savannah, Mobile, New Orleans, and Houston. A natural railroad policy would carry freight from the far west and the middle west to the Gulf ports. It would link up the Mississippi and tributary streams. It would carry freight from Chicago and the central industrial regions as well as the southern states to these South Atlantic and Gulf of Mexico harbors. Our South American, Central American and Asiatic commerce would pass through these channels and lines of communication and terminal facilities would be established at these ports. Steamship lines would connect with Europe, South and Central America, and the Orient, by way of the Panama Canal. This would mean shorter hauls, quicker deliveries, shorter ocean routes and uncongested harbor facilities.

Under federal operation, these ports have received their share of the traffic. They developed steamship lines. They enjoyed a new prosperity. Under private operation, however, the short haul and the near-by harbor was discriminated against in favor of the North Atlantic ports and especially New York, even though New York is the most expensive of ports. Southern shipping was discouraged, as was southern industry. The railroads

prefer the long haul. And they do everything possible to encourage it. They haul produce from the far west and the middle west to New York. This however is not the only reason for this policy.

The officials who control the railroads own the banks of New York, which do an international banking and credit business. They own the so-called shipping trust. They control barges, warehouses, terminals and countless other agencies in and about New York which are tributary to and derive large revenues from the railroads. It is to the interest of the railroad owners to divert all traffic possible to New York in order to secure profits for other industries. As a result the port is congested. Operating costs are increased, while the industrial life of the nation is sabotaged for the benefit of a small group of men who own the port, ocean and warehouse facilities of a single port. The service motive of transportation is subordinated to a profit motive that is inimical to the country as a whole.

The assumption that private ownership can be relied upon to develop the railroad industry has broken down in America as it has in all other countries. Transportation is a secondary interest with railway operators. No one can estimate the extent to which our whole industrial life is arrested in consequence. Along with credit and the monopoly of basic resources the private ownership of the railroads is the great obstacle to the development of the productive resources of the nation.

CHAPTER V

LAND

SOCIETY itself sabotages production. It sabotages the source of all wealth. Society in fact is the worst offender of all. All industry is dependent upon the resources of nature. The fuel we burn, iron ore, oil, and copper, the timber of our forests, and the food which supplies man with energy, all come from the land, the source of all life, of all industry. Yet society has sanctioned a system that results in the great bulk of our natural resources being kept out of use.

Up to a generation ago, man was his own master. He worked for himself. He could take up a homestead in the West. He could build his own fortunes. But he could do so only by labor. He could live only by his own efforts. He had to hew the forests, break the soil, and produce food with which to support himself until another season rolled around. Then our laws invited the tenant and the city dweller from the eastern seaboard to the western prairies. Then the teachers of political economy, the press and statesmen, saw life in terms of production and of competition as well. There are few tenants in

a new country, and few landlords. There is no rent and no profits. For every man can work for himself. He can live by his own labor on his own land.

For 250 years we held to the idea that it was a good thing for men to work for themselves. We believed in competition, in cheapness. We believed in quantity production. This was the most characteristic thing of America.

OUR WASTEFUL LAND POLICY

By the end of the last century our public domain as well as our mineral resources had been disposed of. Title deeds had passed from the Government to individual owners. Then followed a profound change in all of the relations of life. Land now had a new value; a value it had never possessed before. Up to this time men wanted land only as a means of making a living. If richer land was available in a neighboring state, men abandoned their old farms and took up new ones. Land had a value only to the worker. It was an economic value, pure and simple. Men took only so much land as they could cultivate. The farms of New England, New York and the original colonies in the north, were from fifty to one hundred acres in extent.

When the land was all gone, land acquired a speculative value. The homestead lands rose in value to five and ten dollars an acre. Within the next decade these same lands shot to twenty and thirty

dollars an acre. By the end of the century, land in Illinois, Iowa and Kansas was worth from fifty to seventy-five dollars an acre.

Population grew. More people went to the cities. A larger percentage of the population was engaged in industry. This increased the value of food. It increased the value of land. To-day land in Iowa, Illinois, and parts of Kansas, that fifty years ago was worth little or nothing, is selling at from three hundred to four hundred dollars an acre. The war gave a speculative value to some land in these states of from five hundred to six hundred dollars an acre. In California land is held at from a thousand to two thousand dollars an acre, that a generation ago had little or no value whatever.

LAND SPECULATION

It has become profitable to hold land out of use; to permit it to lie idle. Each year the needs of the world increase; each year population crowds against the land. And each year land increases in value, just as does the value of the coal deposits, the iron ore deposits, the copper deposits, and the standing timber. It is more profitable to speculate in land than it is to work land.

Society itself is sabotaging production. It does this by permitting men to idly wait for the necessities of mankind to make them rich. The result of our land policy is to limit production. It sabotages future generations as well.

This in turn sabotages all other forms of industry. It made monopoly possible in iron, steel, fuel, oil, copper and timber. Raw materials are basic to all industry.

The new psychology of labor is also a result of land monopoly. When men could no longer take up a homestead they became of necessity wage earners or tenants. They had no other alternative. They had to work for some one else. For a generation they worked willingly because of the tradition of equality and the widespread belief that any man might rise above his station and escape into the capitalistic class. The war has ended this tradition. The wages status is recognized as permanent. As a result labor sabotage has come in. It is a result of our land policy and the closing of opportunity to men to work for themselves. This more than anything else is responsible for labor unrest. The pioneer spirits who formerly followed adventure to the West are now to be found in the labor movement.

LAND MONOPOLY

We assume that America is a land of farm owners; that the nation is divided into farms of from fifty to two hundred acres each, and the land is for the most part under cultivation. Nobody realizes, and few people are concerned over the fact that this is not true. The total cultivable area of America amounts to 841,000,000 acres. This is about four times the area of France. Yet in 1900, over 200,000,000

acres were in estates which exceeded 1,000 acres. Their average size was 4,230 acres. This vast domain, nearly as large as Germany, was owned, according to census reports, by less than 50,000 people and corporations. It is owned by .0006 per cent. of our population. Many of these estates exceed a hundred thousand acres; many equal five hundred thousand acres; some of them exceed the million acre mark. The states of Texas, California, Washington, Montana, and parts of Colorado, Kansas, Nebraska and the Dakotas, contain great manorial estates, like those of England, Prussia, Russia, and Central Europe. They are worked by tenants, or by hired hands. Much of the land is not worked at all. The hand and mind of man is denied access to a great part of this vast domain, capable of maintaining millions of families in comfort.

But this is by no means all. Much of the land enclosed in farms is not cultivated. It too is held out of use. The dead hand of sabotage keeps nearly half of the cultivable area of the country out of cultivation. According to the census reports of 1910, there were 400,346,575 acres of land, out of the 878,798,325 acres enclosed, that was not in tillage. It was unimproved. It was failing to produce wealth.

OPPORTUNITY FOR MORE FARMS

The extent to which we have sabotaged opportunities for food production, is indicated by the fact that

the state of Texas is as large as Germany with her 70,000,000 people. Switzerland could be added and these two countries would not exceed the area of a single American state.

The population of the United States in 1910 was but 33 to the square mile. Little Denmark, in many ways the most prosperous and contented country in the world, supports 183 people to the square mile. France supports 191 people, Switzerland 234, and Belgium, a bee-hive of industry, a population of 671 to the square mile. None of these countries, unless it is France, are as fertile as the United States; none of them are endowed with as great a diversity of climate, and all of them are more or less exhausted by centuries of cultivation. There is no doubt but that the United States could maintain at least 500,000,000 people in comfort, and measured by Belgium, which country is of course not self-supporting, 2,000,000,000 people could be cared for within our borders. If our agricultural land were opened to use and cultivated as it is in countries where peasant proprietorship prevails, America would provide farms for tens of millions of families, while a system of home ownership would increase our production of food to an almost unlimited extent. Yet we are to-day confronted by the possibility that in a few years' time we will have to import food.

CITY LAND

We have sabotaged our city dwellers by the same unsocial policy. This too we have done by law. We permit men to speculate in building sites; to hold them out of use entirely, or to cover them with shacks. By so doing we distort our cities into the misshapen, tenement-ridden hives of human beings that they are. The slum is a product of land speculation. Monopoly rents are traceable to the limitation of the land in use. The suburbs around our cities are held by speculators until the growth of population bursts the bonds of the built-up area and carries people on to the new land, which is given a monopoly, if not prohibitive price, by the necessities of the people. We think of New York City as completely built upon. We see only the tenements and the skyscrapers. Yet there are 200,000 building lots in Greater New York that are held out of use, and tens of thousands of other lots that are covered with shacks or tax-earning buildings. Building sites are held so high that they prohibit the building of homes. This is true of every large city. Our house famine is not alone a house famine. It is largely a land famine.

We ourselves have sabotaged the land. In so doing we have sabotaged all labor and industry. We have sabotaged the traditions of America. Land sabotage means less wealth, it means fewer opportunities for labor, less food, less fuel, less com-

fort. It means fewer houses, fewer conveniences, and increased rents. It means tenancy rather than home ownership. Unless checked it means a regressive, or at least a stationary civilization. For the house and land famine is reducing the birth rate. It increases the death rate. Man cannot live, he will not reproduce his kind, if access to the earth is closed against him.

IRON ORE MONOPOLIES

Sabotage of the land is the most costly sabotage of all. It is also the most pervasive. It is not confined to agricultural or to city land. We permit the United States Steel Corporation to monopolize the iron ore deposits of Minnesota and Wisconsin and mine only so much ore as it sees fit to mine. It controls the iron ore deposits of Tennessee and much of the coking coal of western Pennsylvania. Most of the known iron ore deposits of America are controlled by a half dozen corporations which form the iron and steel monopoly. Competition is impossible without the assent of the steel trust. It determines how much iron and steel products shall be produced, and what the public shall pay for them. Steel is King. It is so recognized by high finance. All society is dependent on steel. It controls railroads and battleships. It controls the distribution of water and gas within our cities. It determines the cost of structural steel, which in turn determines how much shall be used for building. The merchant marine

of the world is scarcely less dependent on steel than are the railroads, while docks, harbors, locomotives, cars, the great machines for distributing and handling freight, the tools with which the farmer and the artisan works — every industry, all society in fact, is dependent upon iron and steel for its life.¹

Steel is the monarch of industry. The autocratic power of the steel trust is traceable to its control of raw materials. This control is sanctioned by society; it is approved by law. We have permitted a handful of men to control the resources of the earth, and by so doing to exclude capital and labor from entering this industry, from bringing forth wealth, except as such activity suits the will of a single corporation.

TIMBER MONOPOLY

Lumber is also basic to all industry. It determines the numbers and cost of homes. It enters into all industrial processes. Yet America has sabotaged its people by permitting a complete investiture of the growing timber of the United States by a handful of timber monopolists. The United States Bureau of Corporations conducted an investigation

¹ The United States Steel Corporation earned net earnings in 1918, after paying ordinary taxes (but not war taxes) and after deducting \$100,000,000 for depreciation, in the sum of \$549,180,000. It paid in wages and salaries \$452,663,524. It could have reduced the price of every ton of rolled steel by \$30 and still have paid 7% on all its stock and provided for all interest and sinking fund charges as well.

of the timber monopoly in 1914. It showed that 1,694 timber owners held over one-twentieth of the land area of the entire United States, from the Canadian to the Mexican borders. These 1,694 holders owned 105,600,000 acres. This is an area four-fifths as large as France; it is more than two and one-half times the land area of the six New England states. Sixteen of these holders owned 47,800,000 acres, or nearly ten times the land area of New Jersey. Three land grant railroads alone own enough timber land to give 15 acres to every male of voting age in the nine western states where almost all their holdings lie.

These timber holdings, according to the Government investigation, are further interrelated until of eighty per cent. of the privately owned timber, three individuals and corporations own fourteen per cent., nineteen persons own two-fifths, and 195 own nearly one-half. These groups again are interlocked by community stock holdings and otherwise, until they act in all essentials as a unit. They determine the production of lumber. They fix its price.

And they, like the coal miners, and the iron ore monopolists, sabotage production. They limit output by preventing competition and excluding free access to the land.

GROUND RENT

Some idea of the burden which society has heaped upon itself is indicated by the fact that the ground

rentals alone of the land underlying New York City amount to at least \$250,000,000 a year. This is in excess of \$250 per family. This is a tax which must be paid for the mere right to live in the city; to work or to carry on industry. This is the embargo which the land speculators impose on the production of wealth. It is a first charge on life. It must be paid before any other activity is possible. Not alone must this tax be paid, but a great part of the land within the city and for many miles around, is held at such prohibitive figures that it cannot be used at all. This too is a burden on society. It distorts the city's growth. It prohibits expansion. It compels every individual to travel hundreds, possibly thousands of unnecessary miles every year, because of the distorted development of the city. Life is cramped, while rent for such land as is improved is increased to the point of herding men and women like cattle in stalls.

Society is impoverishing itself by this land policy. It embargos all industry. It denies us homes, farms and food and fuel. It limits the size of families, and affects the morals, the health and even the marriage rate of our people.

CHAPTER VI

CREDIT

WEALTH production is controlled by credit. Credit determines the freedom and expansiveness of all industry. It determines what industries shall live and what not; who shall receive assistance and who not. The manufacturer and the mine operator need credit to pay wages; to buy materials. They need it to carry on business until they can realize from their sales. The farmer needs credit to plant, to harvest, to market his produce. Through credit the manufacturer and the farmer change their wealth into new forms so that industrial processes may be completed. These are the functions of credit.

Land, transportation and credit are the masters of the economic life of a country. They control it.

EARLY BANKING

The bank is the instrument for supplying credit. It receives deposits. It makes loans. This was the sole function of banking for two and a half centuries. Banking was local. The banker kept the money of

his neighbors and extended credit to them as well. He kept a small reserve in some larger town for the clearance of checks and drafts.

Competition played freely between banks. Usury was not the rule. Interest rates were controlled by competition, by public opinion and the laws. The banker was almost as local in his outlook as was the blacksmith, the storekeeper, and the factory owner who supplied the communities' needs. Credit was not a serious cost to industry. It was open to all on equal terms. The bank was not an exploiting agency. It was used to aid production, to encourage men of ability, and to stimulate the industrial life of the community.

Banking has been profoundly changed in recent years. It is no longer a free agency. Credit is no longer open to all on equal terms. Bank directors are directors and stockholders in local industries. They are owners of stores, mills and factories. Controlling credit, they control the opportunities of other men to enter fields already occupied by those who control the banks. In almost every town, industry and credit are under the control of a group of men who have already established their position in, if not their control of, the industrial life of the community.

CONCENTRATION OF CREDIT

Banking and credit have also ceased to be local. This is the most serious evil of all. The banking,

savings and trust institutions of the country are interlaced in countless ways with the great financial institutions of New York, which institutions are controlled by two great banking groups, whose ramifications, connections and control and the methods which they employ, were described in detail in the Report of the Pujo Committee of Congress in 1913.¹ Practically all of the banks in New York City, which is the money reservoir of America and of the world, are under the control of a small number of men. So are the insurance companies with their huge reservoirs of funds. These men often own stock in or influence the policy of the banks and trust companies in Boston, Philadelphia, Chicago, Pittsburgh, Cleveland, St. Louis and the Pacific Coast. They influence the banking institutions in the smaller towns; sometimes through ownership of stock, more frequently through the control of opportunities of profit which the banks in New York are able to offer the other banks of the country. Banking is in effect a nation-wide monopoly closely bound together by a community of interest.²

The New York banks make the financial and in a measure the political opinion of the country. They

¹ See Committee to Investigate the Concentration of Control of Money and Credit, H. of R. Report 1593.

² The New York banks are opposed to the development of new railroads, mines or industries which compete with those which they already own. Through their nation-wide ramifications they close avenues of credit to competing enterprises. They exercise a feudal control of our industrial life.

do this through circulars, through daily announcements in the press, and through press control.

THE MONEY MONOPOLY

Banking has become an investment business. The Eastern banks underwrite billions of securities each year. Not alone the securities of industrial and railroad corporations, but public loans of the United States and foreign countries. They underwrite these securities at a fixed price, low enough to enable them to pass them on to other banks to which they allot a portion of the issue. The inland banks buy the securities at a figure fixed in New York, and sell them to their customers at a higher price. Instead of being banks they are merchants. They buy at a low price and sell at an advanced price. They make substantial profits from this source. They are part of a nation-wide agency for the sale of securities of the railroads, public utility corporations, mines and industrial trusts. In this way they are dependent upon the good will of Wall Street bankers. If they do not accept such underwritings as are offered them, they may be deprived of other opportunities for gain.

In this way the securities of railroads, trusts, mines, and industries are sold to the public. In this way foreign loans, both to Europe and to weak and dependent countries, are distributed. By this means the inland banks are identified with the maintenance of the status quo, and of monopoly interests

generally. Competition is a menace to the established order. So is freedom of production. Credit is organized to maintain a security structure that is based upon monopoly and the inflated prices which monopoly must exact to sustain the security issues that have been placed upon the market. Financial imperialism is promoted by the financial interests, as is the demand for a large army and a powerful navy. The agitation for intervention in Mexico is largely inspired by American interests with investments in that country that are distributed among the bankers and the financiers in the credit centers of the country.

Our banking and credit agencies have become subsidiary of a new type of financial capitalism that is not primarily interested in the development of industry, in the production of wealth, or in the promotion of the local community. Rather, they are opposed to free production. They are opposed to new projects, new railways, more mines, cheap food. Our banking agencies are interested in maintaining the status quo. They, with the railroads, are the main support of the scarcity philosophy.

PROMOTING SPECULATION

Through this interlacing of interests, the deposits of 105,000,000 people are drawn from their respective communities and lodged in the money centers and especially in New York. They are used for speculation, stock gambling, the underwriting of se-

curities, the flotation of foreign loans. It is the banks that make possible the hoarding of food, of sugar, wool, and raw materials of all kinds. It is the denial of credit to farmers and producers that prevents the farmers from being their own warehouses and from realizing on the most advantageous market.

Inland banks keep credit balances in Wall Street. They amount to colossal sums. Through these balances they are permitted to participate in underwriting syndicates. They make more money on call loans used for speculation on the Stock Exchange than they do from commercial loans to customers. It is the investment and speculative feature of metropolitan banking that lures the credit resources of the country from the centers of production and diverts them from local industry, from the upbuilding of agriculture, and the development of the country.¹

OUR COLOSSAL CREDIT RESOURCES

Credit in America should be abundant. Interest rates should be low. There should be easy loans for the farmer, for the business man, for the manu-

¹We get some suggestion of the power of banking institutions when we contemplate their resources. They amount to \$45,000,000,000 or one fifth of the total estimated wealth of the nation. There are 19,000,000 depositors in the national banks alone whose gross earnings in 1919 were over \$900,000,000. Despite the fact that America is the credit reservoir of the world, despite the colossal reservoirs of the banks and insurance companies, there is to-day scarcely any money to be had for the building of homes, for easy relief for the farmer and no credit at all for the man

facturer, for the home builder, for any legitimate enterprise. America has become the credit reservoir of the world. The federal reserve act widened the foundations of credit so as to make wealth rather than gold the basis for bank loans, while the power to issue federal reserve notes makes tight money impossible. According to the report of the Comptroller of the Currency for the year 1919 the banking power of the United States at this time "is three times as great as the total banking power of the entire world in 1890 as estimated by Mulhall at \$15,585,500,000. The banking power of the United States, according to Mulhall's estimate in 1890, was only \$5,150,000,000. Our banking power is, therefore, to-day about nine times what it was just thirty years ago."

Continuing, the Comptroller says: "The so called *Banking Power* of the United States in June, 1919, as expressed by the capital, surplus, profits, circulation and deposits of all national banks and all reporting state banking institutions, including trust companies, together with the estimated amount of such funds in non reporting state banks, plus the capital, surplus, government and reserve deposits and circulation of the Federal Reserve Banks as of June 30, 1919, was \$45,756,300,000.¹

"This represents an increase in the banking power who needs credit most, the man who has only his character and personal integrity with which to back a loan.

¹For the fiscal year 1920 the banking resources were over \$53,000,000,000.

of the United States over June 30, 1918, of \$6,673,500,000.”¹

This is the banking credit power of the country. It is three times the banking resources of the world thirty years ago and nine times the total banking power of this country thirty years ago.

With this colossal credit reservoir there should be credit for every legitimate need. Banks should be seeking borrowers; they should be going out to the farmer and the business man; they should be developing new industries, building new homes, expanding our productive powers in every way. Yet the reverse is true. And conditions seem to be growing worse rather than better. During the summer and fall of 1919 the farmers of the West were sending frantic appeals to the East for credit with which to save their crops from loss. The building of houses has stopped. Industries have been shut down and certain kinds of merchandising has been almost ruined by the refusal of the banks to grant loans. Yet while this condition prevails as to productive industry the Comptroller of the Currency issues a protest to the banks of New York against the usurious interest they are charging for call money, which he states has gone up to sixteen and even twenty per cent. His open letter to the press of August 10, 1919, stated that at least a billion dollars was being used for call loans in New York, which means that it is being used for specula-

¹ Report of Comptroller of the Currency, 1919, p. 16.

tion on the Stock Exchange. This does not include the billions used for other kinds of speculation not only in New York but all over the country. For some reason or other with all of this credit at our disposal, with banking resources many times greater than we ever enjoyed before, with our banking laws adjusted to the creation of unlimited credit, there is little or no credit for those who produce wealth and for those who need it most to keep us in food, in houses and in the necessities of life.

Banking and credit have been divorced from their earlier and proper purposes. Credit has ceased to be primarily a local agency. It has become an agency of exploitation and monopoly. Our banks fail to perform the function for which they were chartered; the functions that give them a reason for existence at all. Once the banks become investors in the securities of railroads, public utility corporations, mines, the steel trust, the packing trust, the sugar trust and scores of other great industries, they insensibly resist any new projects or any new ventures that are discredited by Wall Street or that threaten the securities in which they have invested. The banks thus aim to maintain monopoly. They too sabotage production. They refuse to encourage local initiative, new enterprises or the production of wealth. They too are identified with a scarcity philosophy.

Quite as important, the banks of the country resist political change that seeks to regulate or control

any of these interests. They have become part of a nation-wide political system that takes its opinions from the money centers of the country. They influence the local press. They are influential in making nominations to the state legislature and to Congress. They contribute to campaign funds. They oversee political parties, their platforms, and the opinions of the men who may be nominated for any public position.

CREDIT CONTROLS INDUSTRY

While land monopoly and the ownership of our resources controls the production of wealth, while transportation strangles and sabotages any industry that competes with those industries which the railroad owners control; while it is to the interest of the major industries to limit production in order to secure a monopoly price; the banking and credit agencies sabotage industry at the source. They determine who shall enter industry and who shall not. They do not permit their funds to be freely used for such useful purposes as the building of homes. There are no agencies for the ending of farm tenancy and the encouragement of farm ownership such as exist in Denmark, Australia and Ireland. There are no banks or government agencies for the promotion of farm ownership, or the encouragement of building. There is no credit for the tenant or the worker. Mere moral security is dependent largely on the usurer and loan shark.

American banking is used largely for speculation. It is used for the protection and strengthening of those who already own rather than for the encouragement of those who have only their labor, their imagination and their initiative to offer. Yet a real banking system should encourage the man without capital or with little capital. It should accept moral risks. It should develop new industries and unused resources. It should seek out the man of talent and extend such aid as can properly be offered to him.

For generations banking performed these services. It is only by such a union of capital and labor that surplus wealth is created. The land is broken, homes are built, industry is started. But a definite turn in the tide occurred with the monopoly of industry in the closing years of the last century. Then the banks became part of a nation-wide consolidation and financial control of transportation, of industry and credit, and they have continued to sustain this system ever since. To-day they are the antennæ reaching out from New York which shape and control our economic life and our political, social and intellectual opinions as well. America works, America produces and America thinks, much as those who control our credit decree. They are the ultimate arbiters of our economic as they are of our political life.

CHAPTER VII

ALIEN CAPITALISM

ALIEN capitalism is the final step in the evolution of sabotage. By alien capitalism I mean the export of credit and capital to foreign countries, either in the form of loans, or for the building of railroads and public utility corporations, the exploitation of mines, the development of timber preserves, plantations, and other natural resources.

Alien capitalism is the inevitable consequence of the accumulation of surplus wealth, so called, and the monopoly of opportunities for exploitation in the home country.¹ Surplus wealth springs largely from monopoly profits. It is accumulated by the banks and used by the banks for private profit rather than national service. Privilege first secures control of the resources of the home country and then strikes

¹ There is no such thing as surplus wealth and there is no country, not even Great Britain, that does not need all of the capital that is invested in other countries. There can only be a surplus of wealth after the people are decently housed, clothed and fed, and all of their proper wants are provided for. We are exporting billions of capital but there is little money or credit for aid to our own people.

out to conquer other lands where even larger profits are possible. Capital is exported not because it cannot be invested profitably at home, but because it can be invested more profitably abroad.

From the Civil War to the end of the century, America was a debtor nation. Her railroads and resources were developed by European capital. The extraordinary richness of the country enabled us to speedily liquidate these loans and build up a huge surplus capital in a few years' time. This surplus was lodged with the banks, which in turn used it for the acquisition and monopolistic control of the basic industries and transportation agencies of the country.

The Great War liquidated our foreign debts. It made us a creditor nation on a large scale. Over forty per cent. of the gold of the world was drawn to America in payment of foreign obligations, while our banking resources at the end of the war exceeded the combined banking resources of the imperial and national banks of all of the other great nations. At the time of the armistice we were not only a creditor nation, we were the only nation in a position to extend credit to other countries and to reach out for the exploitation of the world.

ENGLAND, FRANCE AND GERMANY

The United States has passed through the same economic evolution as England, France and Germany. England was the first great creditor nation, as England was the first country to develop industry

and commerce. Her overseas investments at the outbreak of the war amounted to twenty billion dollars. France is also a creditor nation. Her overseas investments amounted to over nine billion dollars. Germany became a creditor nation in the decade which preceded the Great War. Her foreign investments amounted to six billion dollars. Each of these nations in turn was led into imperialistic undertakings and the exploitation of weaker people as a result of alien capitalism. Great Britain was drawn into Egypt, South Africa, Persia, China, Central and South America, as well as her colonies. The expansion of the British Empire was largely the result of the growth of overseas interests and the demand on the part of the investing classes that political power should follow their investments. French capital penetrated into Algiers, Tunis and Morocco. It was invested in Russia, Turkey, the Balkan States, and Central Africa. The surplus capital of Great Britain was drawn from ground rents of the aristocracy and the profits of the manufacturing, shop-owning and commercial classes. The surplus wealth of France came from the petty savings of the peasants, which was mobilized by the Paris banks, which loaned it to other governments or used it for exploitation purposes in foreign lands.

Germany adopted and perfected the methods employed by England and by France. Through international banks, of which the Deutsche Bank was the chief, she penetrated rapidly into countries where

British and French capital had already found lodgement. She came into conflict with England and France in Turkey, Asia Minor and Mesopotamia. Her investments in these regions, and especially the Bagdad railway, was a menace to the British Empire. Germany conflicted with France in Morocco, and the Morocco incident of 1911, which nearly precipitated war at that time, was a result of the warring claims of German and French concession seekers and bankers which came in conflict not only in the making of the public loans, but in the securing of iron ore concessions as well. Alien capitalism is the forerunner of imperialism. It has always been so.

IMPERIALISM

The investing classes in America are now politically ascendant, as they were in England, France and Germany. The foreign investor demands an aggressive foreign policy and the use of diplomacy for the securing and protection of loans and concessions. He demands that the flag shall follow his investments, and in furtherance of such demands insists upon a large navy and a sufficiently large army to enforce his claims. International usage sanctions the right of a creditor nation to use force for the securing of concessions and their maintenance once they have been secured. It sanctions intervention in weak countries, the overthrow of governments, the fomenting of revolutions, and the use of intrigue

and power in the interest of its foreign investors. We see alien capitalism at work in Mexico to-day, in which country American investors have claims aggregating nearly a billion dollars. These claims are in oil wells, copper mines, plantations, railroads and other investments of a monopolistic sort.

MENACE TO DOMESTIC DEVELOPMENT

Alien capitalism is a most serious check to domestic development. It exports capital that should be invested at home. France was greatly weakened by the export of capital. Money that should have been used for the expansion of the railroads, the development of waterways and industry found its way into other countries. The same is true of Great Britain. The poverty of her people, the decay of agriculture, the shortage of homes and the relative impairment of her industry, is traceable to the export of capital to countries where higher rates of interest are obtainable, where wages are low and human labor along with natural resources are open to exploitation.

Our own industrial development is now menaced by the lending of billions of credit to other countries. Our railroads need billions of dollars for their proper extension. The same is true of our waterways. The country is in need of vast hydro-electric development, which would enable us to save fuel, operate our industries and railways, light our towns and substitute the white coal of our rivers for the

black coal of the pits. There is need of a million houses and as many farms. But we cannot use capital abroad and at home at the same time. The export of capital starves agriculture. It increases interest rates. It limits our supply of houses and creates monopoly conditions and with them monopoly rents. Billions of dollars should be spent to-day for the better housing of our people, while hundreds of millions more should be used in the opening of our lands, the encouragement of agriculture, the building of roads and the bringing of the country to a proper state of development. America has scarcely scratched her resources; the productive power of labor could be greatly increased by additional capital investment. Our resourcefulness and productive capacity would be greatly stimulated if the surplus wealth accumulated during the war were used for our own purposes rather than for the development of backward countries in which high and usurious interest rates can be obtained.

The export of capital lowers wages by reducing opportunities for labor. It reduces the demand. It thus reduces wages. Alien capitalism is not only a menace to our industrial development; it is a menace to the wage-working population and to the whole consuming public.

ECONOMIC SABOTAGE

Alien capitalism is the final step in economic sabotage. It makes its appearance with the monop-

oly of resources at home; the control of natural resources by the banking-exploiting group, and the opening of opportunities for the acquisition and exploitation of similar resources in other lands. Under natural conditions, surplus wealth means a falling interest rate. It means cheap money and abundant credit. Falling interest rates would stimulate industry, encourage new projects, and reduce the cost of living. Alien capitalism is thus at war with the best interests of the country. It is anti-social. It is an agency of the exploiting classes for increasing their economic power.

Alien capitalism is a foe to labor, to industry, to agriculture, and to the peace of the nation as well. For alien capitalism leads to imperialism. Imperialism leads to an increasing military and naval establishment. Imperialism ultimately leads to war, as it has all over the world during the last thirty years. Imperialism in other countries has been followed by national decay. This was the experience of Rome, of Spain, of Portugal, of the Hanseatic League. In the nineteenth century, it was the experience of France, England, Germany, Austria-Hungary, and Russia. Alien capitalism and imperialism are the gravest menace to America. They are the natural and inevitable consequences of the ascendancy of privilege in our economic and political life.

CHAPTER VIII

OPINION

THE opinions of a country reflect the will of the class that owns. We think as we are directed to think. We believe the things we are told to believe. This is true of politics, of economic questions. It is true of war and of imperialism. It is true of labor and morals. Our opinions mirror the interests of economic classes that control the thought-molding agencies and make them serve their will.

This has been true from the beginning. Up to about 1860, the most characteristic thing about America was economic equality. Man worked for himself. He usually owned his own farm and his own home. He owned his own tools. He knew no boss, no master. There was no landlord and no capitalist class.

EARLY IDEALS

As a people we believed in economic freedom and equality of opportunity. *Laissez faire*, "let us alone," was the rule of industry. We commanded the Government to keep hands off, to interfere as

little as possible with our daily life, with our opinions, religious, political, social.

We cherished political liberty. It enjoyed almost religious veneration. Like crusaders, we wished to extend it to all subject people; to Ireland, Russia and Poland. America was the asylum not only to the oppressed; it was the asylum of those who sought to establish a government abroad as free as our own. We were hospitable to revolutionary opinions and to revolutionary leaders. We had no fear of old world disturbances. We opened our arms to Kosuth, Garibaldi, Carl Schurz, to the revolutionists of Russia, Poland, and Central Europe.

A people where economic equality is the rule has no fear for its institutions. It has no fear for property. A free people is hospitable to new ideas. The repressive spirit is a by-product of fear born of privileged wealth.

THE FEDERAL CONSTITUTION

The people accepted the Federal Constitution on very definite conditions. *They feared government as government.* They made reservations before they approved of the Constitution. They insisted that the individual should be guaranteed forever in his liberties. They insisted that freedom of speech, freedom of the press, freedom of assemblage, and the right to jury trial and the writ of habeas corpus should be written into the Constitution before they would accept it. These were the first amendments

adopted. They were conditions precedent. They constitute the Bill of Rights. To those who adopted it, the Constitution was not primarily a form of government; it was a guarantee of personal rights. When men talk of attempts to overthrow the Constitution they are talking about something else than the Constitution. For the Constitution is not an enumeration of powers, of the method of electing the President and Congress; the Constitution is an enumeration of rights which the American people sought to make inviolate. The alleged revolutionary groups of to-day are in the main fighting for the Constitution, not making war on it.

America came into being to insure the natural rights that should inhere in every human being. That was what the state meant to the colonists. It was a guardian of rights; not a form of government.

The people expressed their resentment to any other conception of the state in their repudiation of the Federalist Party and the Alien and Sedition Laws enacted by it. They swept the Federalist Party out of office. It never came back to life. Down to the Civil War, individual freedom, hands off by the Government, was the dominant note in our political life. The rights guaranteed by the Constitution were jealously guarded by the courts, by Congress, by the press, by public opinion. There was an almost religious adoration of liberty, save negro slavery, in all of its forms. This was the most symptomatic thing of our civilization.

POLITICAL FREEDOM

This psychology of freedom was a by-product of economic equality. There were no special privileges; no law-made wealth. What one man possessed was open to others to acquire. And a society based on labor values is of necessity a society of equality and of liberty as well.

During these years, public opinion, the press, the universities, the textbooks on political science, were highly individualistic. Competition, it was said, was the life of society. To challenge this was heresy. Legislation mirrored this psychology. We accepted with approval the philosophy that issued from England with the support of Adam Smith, Ricardo and the political economists of that country, that the best possible society was a society in which competition was allowed to play freely in all economic relations. This philosophy in turn was a reflection of the economic life in which we lived. It was a reflection of the economic desires of the dominant class in the state.

THE CIVIL WAR

The Civil War changed economic conditions. It definitely ended the old order. The protective tariff gave birth to exotic industry. War necessities led to the National Bank Act. The Pacific railroads secured valuable land grants, while corrupting influences identified themselves with privileges,

which came into existence through the aid of the Government. The special privileges created by Congress, the states and cities increased in value as the country grew in population and wealth. To protect their privileges these interests entered politics. They sought to control the Government in order to strengthen the grants they had acquired from the Government. And they found a national philosophy ready made to support them. It was the philosophy of *laissez faire*, let industry alone. "Hands off" became the cry of privilege, as it had been the doctrine of liberty. Conceived as a philosophy of equality, it became a philosophy of inequality. Economic freedom gave birth to the philosophy that the Government should interfere as little as possible with industry, and privilege later capitalized this philosophy as a sanction of its power.

During the generation that followed the Civil War, competition tended to disappear. The basic industries and many of the secondary industries passed under monopoly control. Competition is limited to retail business, to agriculture and to the rather unimportant activities of the people. The chain stores are rapidly occupying this field. Monopoly has become the prevailing economic system.

Reflecting this change, the press and the universities ceased to exalt competition, to emphasize liberty and equality of opportunity. There is no

voice now raised for free trade. We no longer believe in the traditions that prevailed for eight generations. Rather we approve of a feudal society in which the control of capital is lodged in a small group on one side, while labor and the farmer are massed as a class apart on the other side.

ASCENDANCY OF PRIVILEGE

Privilege reached the height of its power at the end of the European war. The press and agencies of public opinion organized for war propaganda, became an agency for the support of the status quo. Privilege used these agencies to arouse fear and hysteria against labor, the alien and all liberal opinion. It influenced the minds of Congress and administrative officials. It made possible the consideration of the Sedition Bill that was slipped through the Senate with scarcely a protest and came close to passage in the House of Representatives.

FEUDALISM

The thought of America has passed into a third stage. Public opinion reflects the will of a feudal society just as twenty years ago it reflected the will of monopoly; just as up to 1860 it reflected the will of a free competitive state. Our morals and our customs are shaped by the economic state. Prohibition is a by-product of the demand for efficiency from the workers. The saloon impaired the working capacity of men. So the saloon had to go.

Education, and literature, are consciously shaped by the ruling class, through the press, the magazine and education. For fifty years our immigration policy was designed to supply cheap labor for the mines, the mills and the factories. There was no concern for America, no concern over the effect upon our institutions, of unassimilated, un-Americanized aliens. The employing groups did everything to make assimilation impossible. They employed men in herds. They housed them in shacks. They employed priests and agents to prevent their amalgamation with other races in trade union organizations. They limited educational facilities. Everything possible was done to submerge the immigrant and prevent his becoming articulate or even ambitious for the American standard. In the southwest, Mexicans are imported to cultivate the plantations and to operate the copper mines. Persons of American descent are being driven out. They cannot compete with the Mexican worker. They will not accept the Mexican standard. The plea for the loosening of our immigration laws against the Chinese is inspired by the same motive.

The recent change in our attitude toward the immigrant is inspired by fear. The alien agitator, who under the inspiration of the war believed better conditions to be possible, is arrested and sent back to Europe so that he will not contaminate his fellow workers. Force is substituted for real Americanization. The Department of Justice, the state

constabulary, the army and the police have been enlisted, not to make better citizens out of the alien, but to make him accept without protest the rule of the exploiting group.

BACK TO THE OLD ORDER

Following the war, a nation-wide propaganda was started whose objective was, "back to conditions as they were before the war." It was directed by the press, by the popular magazines, by the movies, by an army of speakers who like minute men molded public opinion across the country. There must be no change. The human mind was ordered to stand still. The promises made during the war were to be ignored. The right of labor to organize was challenged. The right to collective bargaining was no longer admitted. Congress assumed that this made-to-order public opinion was a popular expression, and Congress started in to reduce labor to the status from which it has taken it a generation to emerge. The injunction against the coal miners, the attempt to make strikes illegal, the efforts to find means for denying the strike weapon without seeming to take it away, are indicative of the psychology that has been sedulously created for the reduction of labor to its pre-war status.

THE ECONOMIC BASIS OF PUBLIC OPINION

From the beginning of America, our prevailing philosophy has reflected the economic structure of

America. It has reflected equal opportunity and economic liberty; it reflected negro slavery; it reflected and approved of monopoly and now approves of a caste like feudal society.

In a quarter of a century, the mind of America has passed from a belief in freedom to a belief in feudalism. Our political philosophy has passed through the same evolution. From a distrust of government, we now accept the Prussian idea of the state. From a belief in economic equality, we accept the wage relationship as final. From liberty of thought, of the press and of assembly, we have come to approve of a political censorship on freedom. From an acceptance of change as a most desirable thing, we have come to condemn change. Privilege has decreed we shall have a stratified society. It has decreed there shall be no protest. The present order must be protected at all hazards.

The thought of America is shaped to-day as it was a hundred years ago by the economic structure that prevails. It is a mirror of the economic state. Our psychology, our opinions, even our morals are molded by the class which owns, and particularly by the class which uses the Government for its own economic advantage.

CHAPTER IX

CULTURE

THE human mind withers under censorship. It withers under control. Like the body it requires free air. This is true of all fields of thought, whether it be in art, in literature, or in the technical professions. A censored society cannot be original. If censored by an economic class it is standardized to a materialistic level. It adjusts itself to the wants of the ruling class.

A free society invites originality. It stimulates variety. The mind goes out to untrodden fields; it experiments with new ideas. It is moved by hope. A privileged society is moved by what the psychoanalysts term a "fear complex." It fears for its institutions, for established politics, for established property rights. It fears most of all for its privileges; privileges acquired and maintained by the political state and the law-making agencies of the state. It is the artificiality, and law-made character of privileged property that makes it timorous of intellectual freedom. The nation-wide suppression of protest since the war is born of fear, a fear which

springs from a realization of the instability of law-made accumulations and war-made profits.

Privileged wealth as opposed to labor-created wealth has come to control the cultural agencies of our life. It controls the press. The papers of the large cities are owned by men of wealth. In the smaller towns the press is under the fear of the department store, which in turn is in fear of the banks. The country press is controlled partly by advertising, partly by political printing, partly by outright purchase of its opinions. The press has ceased to be a record of current events, honestly reported. It reflects the will of a class. And it uses its power as though it were a private business, irrespective of the trust involved in the presentation of the news.

PRESS CONTROL

Privilege controls the organized news agencies which collect and distribute the news. The Associated Press is a close corporation into which new papers may not enter. Telegraphic dispatches pass through the censorship of the local office that gathers them, and then through the central office in New York or Chicago which distributes them. Foreign news passes through the same editing process. It is censored in London. Not only is news of a liberal sort excluded from the press; it is distorted and colored in its presentation, as well as in its final editing.

Privilege controls advertising. The counting

room controls the editorial policy. This control is direct, through the actual ownership by privileged groups of the corporations which place advertising; it is indirect, through the power of the advertising agencies to shape the policy of papers and magazines to which it gives contracts. Some of this control is frank, but much of it is subtle and indirect. As but few publications can live without advertising, the press of the country is under the control of the counting room. The editorial room and the control of public opinion has been sabotaged; it is sabotaged by capitalism, by privilege, by those who own.

Many of the popular magazines have passed under capitalistic ownership. Some of them are directly owned by banks and large corporate interests; others are controlled as is the press through advertising.

HIGHER EDUCATION

Our colleges and universities reflect the same economic will. Their cultural ideals are subordinated to financial considerations. Buildings, endowments, equipment, have become more important than intellectual eminence. Any one familiar with academic thought must admit the progressive decay of our educational institutions during the last twenty-five years. The donor of funds has come to shape our cultural life. The Carnegie Endowment for teachers' pensions is a standing menace to intellectual integrity.

University trustees are chosen from the money-

giving groups. They are largely bankers and financiers. Nowhere is the teaching staff given any substantial control over the university personnel or the course of study. This control is in the hands of the trustees. They scan the records of teachers; they drop men of doubtful opinions. Advancement is denied to men who are not safe. There are only a few progressive thinkers on political economy left in our colleges or universities. The social sciences confine themselves to safe subjects; subjects years in arrears of current day problems. There is little attempt to honestly interpret industrial conditions, or to understand the cause of industrial unrest.

Men who remain in the teaching profession are compelled to accept this subordination to outside control. They accept the censorship of thought, and act accordingly. This is true not alone of the economic and political sciences; it is true of literature, of science, of philosophy. It cannot be otherwise.

Our universities are becoming sterile. They awaken little interest on the part of students, and contribute little to the intellectual life of the country. Such thought as issues on social questions is cold-storage, statistical, uninspiring. Our universities are sabotaged by an economic class; by the same class that controls the press of the country.

Fear has enveloped practically all of our educational agencies; it is suppressing the intellectual processes of modern life. It has been decreed that there shall be no change. The human intellect has been

ordered to stand still. In the realm of academic thought it is standing still.

THE PUBLIC SCHOOL

The same censorship extends to elementary and secondary schools. Teachers have been suspended because of a suspicion of sympathy for Russia. Discussions of revolutionary Europe are under a ban. The slightest reference to radical thought, even the answering of an innocent question from a pupil, has been the cause of an inquisitorial investigation in New York, Washington, and elsewhere. The press has ruthlessly destroyed the reputation of men and women teachers by the display of headlines and scare stories. As a result, the teaching profession is in terror. It is under surveillance. Under such conditions men are of little value as teachers. They are of little value to the students. Many leave the profession in consequence.

Privilege is striking at education in yet another way. The increasing cost of living is stripping universities, colleges and public schools of teachers. In a recent address, Dean James E. Russell of the Teachers College of Columbia University, New York, is reported as saying that there are more than 130,000 vacancies in the schoolrooms of the country, and that 300,000 teachers are paid less than \$450 a year. He said the waiters in the dining rooms get more for their services than do graduates of the school when they enter the teaching field. William

C. Redfield, former Secretary of Commerce, stated at the same meeting that the schools of the rural districts of America "are rapidly disintegrating"; while Jacob Gould Schurman, President of Cornell University, said the remuneration paid educators is so low that any red-blooded man hesitates to place such a financial burden upon his wife and family. The present low salary scale is threatening the very existence of education.

Privilege fears the public schools. It fears education. Education breeds unrest. It lures the children of workers out of the factory. It stimulates a demand for a higher standard of living. Most important of all, it educates the worker and strengthens his intellectual power.

Privilege is unwilling to pay for education. It is unwilling to pay increased taxes which adequate pay to teachers and professors involves. While America is willing to spend \$1,500,000,000 on a military establishment in peace times, it expended in 1913 less than \$700,000,000 in all educational fields. America spends less than one-third as much for education as it does for advertising and advertising solicitors. Our total educational budget in 1913 for the entire nation was less than one half the amount called for by the war and navy estimates for the year 1921.

INDUSTRIAL SUPPRESSION

Privilege exercises the same deadening effect on industrial processes. For two hundred years com-

petition encouraged initiative. With the coming of monopoly, however, invention was chilled. The present economic structure is financial rather than industrial. Industry is operated to maintain security issues. It is operated by bankers and financiers. The producing classes are being driven out of control. Anything that might imperil the existing industrial organization would endanger the speculative security structure. As a result, the financial group suppresses inventions. A revolutionary change in engineering would endanger \$20,000,000,000 of railway values. Electrification of the railroads would scrap hundreds of millions invested in car equipment. It would deprive the mine operators of a market for \$450,000,000 of coal. It would imperil the business of railway supply corporations that are interlaced by stock ownership with the owners and directors of the railroads. A new electrical discovery would menace the electrical trust. It, too, is interlaced with the railroads and the banking trust. The same is true in many other industries.

The security issues of the steel trust are dependent upon the maintenance of the status quo. A great discovery might bring in competition. It might decentralize the industry into smaller units. A generation ago, when competition ruled in the iron and steel industry, the steel magnates changed their machines every few years. They did this at great cost to meet the competition of other mills. This is no longer necessary. For the steel mills

are interlaced through common financial ownership into what is in effect a single trust.

The art of telegraphy has made but little progress in fifty years' time. There are scores of inventions which would greatly increase the rapidity of transmission and permit a considerable reduction in telegraph rates. The same is true in telephony. It is true in scores of processes that are not subject to competition. Any advance in the arts might imperil monopoly and unsettle the financial structure, which is primarily interested in the maintenance of the status quo.

DISCOURAGING INITIATIVE

Privilege discourages initiative on the part of the worker. This is inevitable as class divisions become fixed. Labor contributed generously of its mind so long as labor was impelled by ambition. But with the stratification of society, labor solidarity has come in. The slackening in production complained of is a natural result of a recognition by labor of its new status. It is a natural reaction against the present industrial system. A new psychology has come in. It is partly conscious, partly a subconscious realization that labor as a class cannot rise above its station. It is doomed to remain a wage-earning class. Labor sabotage referred to in an earlier chapter is one manifestation of class solidarity. It is the worker's reply to the injunc-

tion, to anti-strike legislation, to the attitude of the employing classes generally.

SUPPRESSION OF DISCUSSION

Privilege is also suppressing discussion in the press and on the platforms. The Espionage and Sedition Acts were directed against industrial unrest quite as much as against the fear of revolution. So were the activities of the Department of Justice against the immigrant alien. Freedom of speech was not only suppressed, but meetings were covered by secret service men much as they were in Russia prior to the revolution. Peaceful meetings have been broken up by private individuals having the support or sympathy of the Government. The Government maintains an army of secret service men, while quasi-governmental agencies and private detective agencies organized during the war have continued to spy upon liberal and radical thought. The Socialist press is still denied the mails.

Fear is the explanation of this form of sabotage. It is fear for privileges created by power and maintained by law.

The Lusk Committee of New York violated the Federal Constitution. It broke into offices, seized private papers, and arrested persons without proper warrants. Aliens have been arrested by the thousands for alleged offenses, which when subjected to inquiry were found to be too trivial for consideration,

Hundreds of persons have been deported for opinions and acts that passed unnoticed for forty years. Many of these had no opportunity for even a shadow of a trial, none were given a jury trial, and many were denied the right of going into court on a writ of habeas corpus to try out the question of whether there was any evidence against them at all.

Constructive sedition, the making of mere opinions a criminal offense, was urged on Congress by the Department of Justice. The mind of America is being threatened by inquisition as it was in the sixteenth century by Spain, as it was by medieval Europe for religious heresies, as it was in old Russia under the Czar.

The sedition laws which have been proposed and seriously urged in Congress would have weakened the rights of labor to organize. These laws would have placed in the hands of policemen, marshals, prosecuting attorneys and judges an autocratic power by which men might be dragnotted into court, and if they escaped conviction they would be bankrupt in purse and possibly held in jail for an indefinite time at the will of the exploiting group.

Force is being substituted for discussion. Society is being made to conform to conventional ideas by a censorship that controls our cultural life. Independent thought is being driven into the cellar. The mailed fist hangs over our thought processes. Privilege is using the same tools, it is adopting the same methods, it is aiming at the same objectives as did

the old régime in France, as did the feudal caste in Prussia and Russia.

RISE OF MEDIOCRITY

As a consequence the intelligence of America is being driven out of influence and power. It is not found in politics. It is not found in the pulpit. It is not found in the colleges or the schools. It is not found in the railroads, in banking, in trustified industry. American life and American industry is passing into mediocre hands. It is being feudalized under the control of an economic caste that has little cultural enthusiasm itself, that has little intelligence or interest outside of the making of money. It demands that all other minds shall be content with its materialistic point of view. This is the result of the industrial change which has placed the control of our economic life in the hands of the exploiting, banking groups which are not interested primarily in productive processes. Our economic life has been transformed in a generation's time. It has become a financial rather than an industrial system.

Members of the engineering profession are manifesting unrest over the waste and inefficiency of capitalistic processes and the restrictive profit-making policies which prevail. Mr. Walter N. Polakov, consulting engineer, has contributed a number of articles on this subject, one in the *New York World* and another in the *Socialist Review* for March, 1920. In the latter article he stated that 40 per cent. of the

blast furnaces of the country were idle in the last decade. The avoidable waste alone was equivalent to a general strike of all the workers of the whole iron and steel industry for three months of every year. The steel trust, he says, claims losses during the recent strike of \$23,750,000. The idleness of capital in just one department of the iron and steel industry is over twice as much each year as the loss incurred in this strike. Stated in another way, he says, the same amount of products as are now produced could be turned out by the mills in a six hours' day instead of ten if the mills were intelligently operated.

In 1918, 54 per cent. more ore went into the manufacture of an equal amount of pig iron than was used in 1915. Fifty-four per cent. more ore has to be carried by the railroads to produce the same amount of pig iron, than was carried three years earlier. Duplicating processes are wasteful of metal. They wasted 155,000 tons of steel in 1918, 465,000 car miles of freight, and 100,000 tons of fuel.

The by-product wastage is equally colossal. This is true of coke, of ammonium sulphate, of benzol, of tar. The total loss in unrecovered by-products that was avoidable in 1918, amounted according to his estimates, to \$267,400,000.

The wastage in human life traceable to unintelligent industry involved four times as many accidents,

fatalities, or permanent disabilities in 1918 as in 1915. In mining and the transportation of fuel and ore, he says, 100,000 men are rendering no useful service to society.

This is traceable to the control of our economic life by economic groups which are shielded from competition by law. They can afford to waste, first because the waste is shifted onto the public, and second because in many industries profits are actually increased by wasteful and inefficient methods.

CHAPTER X

EXPLOITERS

WE think of America as a nation of producers. And such we were up to a few years ago. Our fathers worked on the farm or in the shop. The factory unit was small. The corporation was merely an enlarged partnership. It had not become the huge impersonal thing it is to-day. A farmer was a farmer — not a landlord. There were few tenants or agricultural workers. Any one could own his own farm if he chose. The wage earner worked alongside of the employer. He had not yet become a number, carrying a brass check as a means of identification. He too expected to rise and himself become an employer.

Industrial processes were on a small scale. Capitalism had not yet divided the master from the man. There were few non-producers in this simple economic organization. Price was fixed by labor cost. Profits were kept at a minimum by competition. Banking was a local business, often carried on by a single individual as a convenience to the neighborhood. Even railroading was on a competitive basis.

The railroads were operated for the benefit of the communities and states which organized them.

Our early society was a producers' society, in which productive labor was the all but universal rule. Men received all that their labor produced. There was little or no overhead in the form of taxes, interest or rent.

Up to 1880 there was little surplus wealth. Exploitation was almost non-existent. As late as forty years ago America was a nation of economic equality. There were but few intermediaries, and wealth exchanged from man to man on a competitive basis that kept prices to production cost.

Our economic processes were efficient. They were in the hands of men familiar with industry. They had come up from the bottom. Men met fairly in open competition. We had a producers' society in which men worked to capacity. They produced willingly. They were impelled by one thought; to produce in quantity and to serve and hold the market by excellence of product and cheapness of price.

RISE OF THE EXPLOITING CLASS

A new class began to emerge about 1890. It sprang from the tariff, the railroads and the ground landlords. More recently the banking group has become ascendant. This class exploits the wealth produced by others. Year by year it takes an increasing share of the annual output. It takes it

in rent, in interest and in profits. Within the last ten years, and especially as a result of the war, this class has been increasing in numbers and in power. It has become the dominant class in the nation. No one wants to be a producer if he can avoid it. To be a manual worker is a badge of a lower caste. To be a farmer is no longer a mark of respectability. The producer has been displaced in public esteem by the exploiting type. Every one aims to crowd into the exploiting businesses and professions. It is here that great wealth is to be made. It is to these groups that social distinction attaches. The native-born American is ceasing to be an artisan; more rarely is he an unskilled worker. He seeks to avoid productive industry. He sends his children to college so that they may rise in the social scale, and to rise means to get out of the producing groups. Manual labor is largely performed by the foreign-born. They support both themselves and the Anglo-Saxon stock. They perform the hard unskilled labor. There is now a racial as well as an economic class division.

THE BURDEN ON THE PRODUCING CLASSES

Productive labor now supports itself and a vast army of non-productive exploiters that have wedged themselves into every business and imposed themselves on every transaction. They perform countless useless functions. They levy an increasing tribute and take an increasing share of the output.

They do this through profits, rents, commissions and charges for unnecessary service. They employ an army of dependants that profit from the expenditure, the ostentation and the luxuries of the exploiting group. In a generation's time we have changed from a producing society into a society in which possibly one-third to one-half of the wealth produced is appropriated by the parasitical classes.¹

The exploiting groups include the magnates of finance. There are bankers, brokers, middlemen, commission men, speculators. There is a growing class that lives off rents, especially ground rents of the cities. There is a profit-taking class, a royalty-taking class. There is a class that finances and controls the monopolized industries. Below is an army of butlers, footmen, maids, chauffeurs, who draw wages and salaries from the exploiting group. Lawyers are largely dependants of this class, as are the men who pose as captains of industry, but who merely control credit and through this control rise to wealth and power. The ground landlord takes the greatest share. His wealth grows by night and by day. He does nothing to produce it. He grows in power with every advance in society and with every increase of population.

These are the more powerful exploiting groups. It is these who take an increasing share of the wealth produced.

¹ See Chapter XIII.

LABOR AND EXPLOITATION

The rents, profits, commissions, salaries and wages of the exploiting groups are paid by the worker and the farmer, who a generation ago were free from such burdens. They knew no overhead. They received all that their labor produced. The only fund from which overhead can be taken is the wealth produced each year by labor, either labor in the mill, or labor on the land. The private palaces of our cities, the splendid hotels, the country estates, the thousands of shops maintained for the parasitical classes, are all maintained by the producing groups. They are ultimately supported by the toil of those who work on the farm, in the mill, or in the factory.

Herein is the ultimate division of all society. The groups and classes are not always clearly marked, nor is the line between the labor which is productive and that which is exploitive. But the division is none the less clear. It is between the producers and the exploiters. And in the final analysis, productive labor supports both itself and the class that lives off its efforts.

Here, too, is the line of natural political division. It should be between those who produce wealth and those who exploit it. The governments of the world almost everywhere represent the exploiting groups. But labor and the farmer are breaking into politics in a number of countries. There is only

one vital, defensible party division, and that is a division which frankly represents these two groups which struggle over the wealth of the world.

Parasitism is another form of sabotage. It is sabotage on society, especially on labor and those who toil to support the world. Parasitism is also direct action, for the exploiting groups do not arbitrate, they do not reach an agreement with those from whom they take tribute. They act on their own judgment. They take what they can get. They charge what the traffic will bear. This is the essence of direct action, whether it be by labor, by capital, or by the landlord who fixes rent as suits his will or his power.

This is another explanation of the disease of sabotage which is creeping into all labor. The banker complains of taxes that discourage initiative. The same discouragement operates on the producing classes when they become conscious of the existence of a parasitical class and the tribute which it takes. Just as the peasant in pre-revolutionary France gradually ceased to produce because of fear of the tax collector and the agent of the grand seigneurs, so to-day the worker slacks because of the exactions of the state and the privileged classes. When a society decays at the top, the decay ultimately penetrates into all other classes.

CHAPTER XI

THE STATE

THE state has become an agency of sabotage. It discourages the production of wealth. It determines its distribution as well. It paralyzes social and individual effort. It violates the laws of biology. This has been true in large measure from the beginning.

The state is the reverse of what we think it is. We think of it as an instrument to enable society to express itself. In reality, it prevents such expression. It is an obstacle to freedom. The state is not even an agency of democracy. It is not a guarantee of liberty.

A properly organized state should be as frictionless as possible. It should encourage the greatest possible freedom of individual and social action. It should express the will of the community easily and accurately. It should be responsive to its wants and needs. It should act almost automatically. And it should not act as a detached thing, but as an integral part of the everyday life of the people. The state is the reverse of all these things. It is a

brake to effort. It is in conflict with man's cultural, social and economic activities. The state is an agency of suppression. It should be an agency of coöperation and help.

THE ORIGIN OF THE STATE

We see the artificial nature of the state when we examine its beginnings. It had its origin in force. For centuries it was an instrument of oppression. It had no other function. The state came into being to resist attack from without and to prevent protest from within. That is all the state was from the tenth to the middle of the last century. It denied expression to the average man. And it performed little, almost no social service whatsoever.

This was the political genesis of the state. The economic genesis is equally illuminating. In its origin the modern state was not a voluntary association of free individuals. It was a landlords' council. It issued from the feudal system. It had its birth in land monopoly. Even the form of government is landed, feudal. The modern constitution took its form from the seigneurs, from the barons and the Junker lords of Europe. Parliament was a group of landlords organized to resist the king.

THE BRITISH CONSTITUTION

The British Constitution is the political expression of the economic interests of the great landlords who banded themselves together nearly eight cen-

turies ago in their struggles with the king. The great barons organized a King's Council. They quarreled with the king to be rid of their obligations to the Crown. The council was a council of resistance. It fought the king on the one hand, and the people on the other. Ultimately it reduced the king to impotence and the people to serfdom. This King's Council later became the House of Lords. In time it split into two parts; the House of Commons being a council of lesser landlords. Neither the House of Lords nor the House of Commons were interested in political liberty. They had no concern for the people. Neither the Magna Charta, the Petition of Rights, nor the Bill of Rights were declarations of liberty for the common man. They were declarations of resistance to the state which sought to collect perfectly legal dues from the great barons. The great landlords wanted to be free from these feudal dues. They wanted to rule their serfs unrestrained by the Crown. And this is the genesis of the British Constitution. It was born of a struggle of economic groups.

If we study the history of Great Britain from the Magna Charta down to the Lloyd George budget of 1909 and the Irish problem of to-day, we see that the question of landed power and of landed privilege appears on every page and enters into every great controversy. Even the expansion of the British Empire is a product of the exportation of the rents and profits of the landed aristocracy to weaker

countries, which later became imperialistic possessions of the Crown.

Parliamentary government had its origin in an economic oligarchy. It took its form from a group of landlords. It was an artificial instrument whose historical background is feudalism. The political institutions of the world to-day took their form from the council of British landlords organized for private profit and economic power.

ECONOMIC FOUNDATIONS OF THE STATE

The economic organization of the state, against which we protest in Russia, is common to all organized government. Revolutionary Russia has merely democratized the economic state as it has prevailed for at least eight centuries. It has expanded the council of great landlords into a council that includes the peasant and the worker. The Russian Soviet is an adjustment of the political state to the industrial state as it is to-day. Just as the House of Lords was an economic group legislating in the interest of a landed class, so the Russian Soviet is an economic group legislating in the interest of the great majority of the people who form the producing class. The British Parliament represents those who take rents. The Russian Soviet represents those who paid rents.

We assume that the state is a detached thing which issued from the voluntary association of the people. Historically considered it is an economic

heritage. This is almost all the British Parliament has ever been. The financiers and commercial classes have made their way into both houses. But they are subordinate to the landed gentry. Parliament remains what it was in the sixteenth century. It is still a board of directors of the feudal classes. It is a landlords' soviet. For the landlords rule Great Britain to-day much as they did in the sixteenth and the seventeenth centuries.

The rest of the world has adopted the British Parliament as a model. It is wholly accidental, wholly artificial. And the ruling classes have given a sanctity to parliamentary forms because they are able to control them. They would have overthrown them quickly enough, as they have attempted to do in Russia, as they have done in Hungary, if the political state had sought to honestly reflect the economic state by representing the producing classes.

THE AMERICAN CONSTITUTION

The American Constitution is the lineal heir of the landlord's state, as it was in Great Britain a century and a quarter ago. It was not drafted by the men who wrote the Declaration of Independence, but by men who stepped into power following the Revolution, and who were apprehensive of democratic institutions. They feared popular government and took precautions to limit the expression of the popular will. The Revolutionary War was followed by a period of reaction. The business

classes of the North and the landlords of the South saw the value of a centralized government, distant from the people. They needed it to control taxation, to secure a protective tariff, to validate the issues of Continental currency in which they had speculated. The Revolution was won by the workers and the farmers, the Constitution was drafted by the land-owning aristocracy of the South and the commercial classes of the North. Alexander Hamilton took the more conservative elements of the British Constitution and shaped them to the interests of an economic class which willingly approved of the confusion, the centralization, and the many limitations that were designed to hold democracy in check. There was industrial unrest then as now. And fear of democracy was one of the influences in making the Constitution the complicated, difficult, unworkable instrument that it is.

It is the centralization of government and its complicated, unresponsive form that makes it an agency of the exploiting classes.

WHAT A NATURAL STATE SHOULD BE

If we inquire as to what a democratic state should be we see how unnatural the political state is. It is separate and detached from all other processes. It does not function freely and easily. It is difficult to understand. It is out of harmony with what we know about the natural processes of life.

First, a natural state should be simple. It should

be easily understood and easily worked. It should function with such directness that the voter can readily achieve his desires by a single expression of his will. The line of action between the voter and legislation should be as short and direct as possible. The representative should be responsible and responsive to the people. It should be easy to hold him accountable.

Second, a natural government should be close to the people. A highly centralized, distant government is easily controlled by privileged, exploiting groups. Local government is more likely to be honest and efficient than a government that is distant from the people. That is one reason for treating the local unit rather than a highly centralized state as the basis for government. This was Jefferson's idea. He believed in a biological state and did everything in his power to keep the political agencies close to the voter. The first axiom of a natural state should be local autonomy, and the greatest possible degree of decentralization.

Third, the Constitution should be easily changed. It should be scarcely more sacrosanct than the laws of the land. There is no reason for fearing man in his collective capacity. As a matter of fact, there is little that democracy could do that would permanently or even temporarily injure any class of the community except the class that lives by exploitation. For a democratic society is bound to be a producers'

society, and labor-created wealth is perfectly secure in such a society.

It is possible to change our form of government only with the greatest difficulty. The American Constitution is rigid. It was framed nearly a century and a half ago, by men with no knowledge of modern industrial problems. Amendment is difficult. In some states it is impossible. Part of this was designed by the framers of the Constitution; part of it is the result of judicial interpretation, and part of it is inherent in the bigness of the country. It may be that it is impossible for a nation as big as our own to govern itself as it should be governed through a centralized government. Certainly, the Constitution is unresponsive to social needs. The same is true of our state constitutions.

Fourth, there are innumerable checks to the expression of the popular will. The first is the selection of political agencies at different times, for different periods and upon different issues. The House of Representatives is elected for two years. The United States Senate is elected for six years and only one-third of the body is elected at the same time. The President is elected for four years. Members of the Supreme Court and the District Courts are appointed for life. A minimum period of four years must roll around before the people can enforce their will or change a government with which they are dissatisfied, while in practice, the issues before the coun-

try shift so radically from year to year that it is almost impossible for the people to so organize their power as to consistently carry through their desires. It requires a long period of time to bring about changes in legislation, and a much longer period to change the Constitution. A really democratic government, a natural government, would shift as the will of the people shifted.

Fifth, political and social changes have to make their way over one veto after another. Legislation must first meet the approval of both branches of the legislature. The Senate is not responsive to the electorate which elects the members of the House. Legislation must then be approved by the Executive. Finally, if contested, it must fight through the barrage of the Federal Courts, which involves from three to six years of litigation.

Finally, every political change and every piece of industrial legislation must adjust itself to a Constitution, written by men for the most part conservative, and with no possible means of anticipating the conflict of economic groups or the power of privileged interests. In the last analysis, the American government is in the hands of men long since dead, whose opinions we would not accept on any other subject under the sun.

In one of the Scandinavian countries, the constitution provided for four separate legislative chambers. One represented the big landowners; a second the lesser landowners; a third represented the church,

and a fourth represented the towns and commercial interests. Each of these bodies, as well as the king, had to approve of every measure before it became a law. As a result there was deadlock. Our own system is scarcely less intolerant of change than the mediæval constitution that frankly recognized economic groups as the basis of government.

These inhibitions on the freedom of the people are suggestive of the extent to which the political state is founded on distrust. It is an expression of fear. It was designed to make change difficult.

THE STATE AND THE CITY

What is true of the Federal Constitution is true of our states. As a rule state legislatures meet every two years. In many states the length of the session is limited to forty or sixty days. It is assumed that the state legislature is a nuisance. Yet sessions of this length preclude any serious legislation. It is difficult for a legislative body to organize, select its officials, acquaint itself with the procedure, much less to enact any serious measures in so short a time. This is one reason why the average legislative body is a farce. State politics can only be worked by a boss. Control by outside interests is inevitable. Our political system invites it. It cannot be otherwise.

As indicative of the unnaturalness of our political machinery, a measure for granting the suffrage to

women, the most natural of political rights, had to make its way against every kind of legal obstacle. It took three-quarters of a century to secure this right, which a natural society would have granted as a matter of course. Laws directed against child labor meet the same obstacles, as do other measures for improving social and political conditions.

Fear of democracy extends to the very sources of political action. They still further sabotage the community and the individual as well. Methods of nomination and election reflect fear. Nominations in many states are removed from direct control. The blanket ballot is an additional difficulty. There are many other obstacles between the voter and what he wants.

This distrust is carried still further in local government. Our cities have no home rule. They can only act by permission of the state legislature. They are frequently tied hand and foot by state constitutions. The municipal tax rate is limited. So is the amount of indebtedness that can be incurred. Only rarely are cities permitted to own street railways, gas companies, electric lighting industries, or means for service to the people. None of our cities are permitted to properly plan their development, to control property. None of them are able to solve the housing question as it is being solved in European cities through public loans or direct public action. The private corporation has far more power.

Most important of all, the city is compelled to

raise its taxes as the state decides. It has no freedom in this, the most important of all functions. And the laws of the state compel the cities to collect their taxes as the property interests desire. They are not permitted to tax land values or to use the taxing power for social purposes. The American city, like the American state, is manacled by distant constitutions, usually drafted by interests inimical to democracy.

OBSTACLES TO PROGRESS

As a result of these many limitations, any social change has to win a half dozen battles before it wins a victory. Inaction on the other hand has to win but a single skirmish. It needs to control but a single political agency. If it controls the courts, that is a block to progress. Public opinion has to struggle to the point of exhaustion to express itself in legislature. Democratic movements have to survive a series of elections to achieve their ends. A single reaction in public opinion may block progress for a generation, through a loss of some branch of the Government, while the courts may chain a state or the nation for a generation by the vote of a single man, through a mere majority opinion.¹

¹The enforcement of the Sherman anti-trust law is an evidence in point. Also the laws regulating railroads and public utility corporations. The state of North Dakota passed laws by the initiative and referendum, and struggled for years merely to be protected from fraudulent grain grading by millers and commission men. For nearly ten years they have been trying to build state-

REVERSAL OF NATURAL PRINCIPLES OF
GOVERNMENT

The American state has reversed the principles of life, of nature, of biology. We have created an artificial thing. We have provided a political instrument in which fear is the controlling motive. We have sabotaged the free expression of humanity, and of talent and ability as well. There is little to lure men of ability from private life where freedom invites initiative and power, into a system where ambition has so little opportunity to play.

This psychology of fear has palsied the state. It has palsied political effort. The average man is moved by the desire for results. Yet when success is subject to innumerable obstacles, when the end desired is distant and highly problematical, when the fruits of effort are subject to veto by officials unresponsive to the public will, initiative and effort are discouraged. It cannot be otherwise. And from the earliest step in the promotion of an idea to its ultimate achievement, one hurdle after another is found in the path, which tends to paralysis of effort and the paralysis of our social forces as well. Herein is the real explanation of the failure of American politics. Herein is the explanation of the lack of political interest. America has invited dis-owned flour mills and terminals. Only within the last few months has the United States Supreme Court released the state from an injunction against such action.

rect industrial action by the indirection of our political institutions.

THE SACREDNESS OF THE CONSTITUTION

Moreover America is almost alone in the sanctity we have attached to the written Constitution. Reactionary as is the British Constitution, it is far more fluid than is our own. The composition of the government of Great Britain can be changed at a single election. The ministry is elected by Parliament. It is responsive and responsible to Parliament. There is no Supreme Court to interfere with the will of the people once it is finally imbedded in law. Even the House of Lords has only a suspensive veto, which can be overridden by the more popular branch of the government.

America is the only country that has entrusted its courts with power to veto the acts of other branches of the government. No other country has approved the idea that officials shall be subject to endless obstacles in carrying out their acts. America almost alone assumes that indirection is to be preferred to directness, and that confusion is more to be desired than simplicity.

These obstacles to popular government are not accidental. They were designed by the men who drafted the Federal Constitution. Hamilton distrusted democracy. And he carried his distrust as far as possible in the provisions of the Federal Constitution. He copied the most reactionary features

of the British Constitution. And these provisions have been given sanctity by the decisions of the courts, which have aggrandized their power for nearly a century.

FEATURES OF A NATURAL GOVERNMENT

These should be the axioms of a natural government, a free government, a government that aims to be responsible and responsive to the will of the people:

(1) It should be simple and easily understood. Issues should be free from confusion. There should be a direct line of action from the voter to the object desired. Once the public has expressed its will, it should be carried into execution.

(2) Governmental agencies and powers should be close to the people. There should be a large degree of local sovereignty. Local agencies should be free to do as they please. There should be no limitations on the powers of cities, towns or counties. They should be free cities. The German city has such freedom. And Germany has produced the greatest cities the modern world has known. Local autonomy and decentralization are possibly the most important needs in a free state.

(3) The voter should act directly. There should be no intermediaries such as electoral colleges, conventions and delegates between him and his representative. Officials should be the servants of the people, not their masters.

(4) There should always be means of direct legislation through such an agency as the initiative and referendum. Direct legislation should be made easy and simple. And any decision of the people should be immune from interference by the courts.

(5) The Constitution should be scarcely more sacrosanct than other laws. It should be easily changed; either by the joint action of the Assembly called for that purpose, or by the direct action of the people. There is no more reason why we should have two sets of laws — one all but impossible of change — than that we should have two separate agencies for the same purpose in any relation of life.

We have provided just such a constitution for the business corporation. Its organization is simple. It can change its constitution and by-laws at will. It determines for itself what its executive organization shall be. When the directors act that is the end of the matter. They can do anything except make it impossible for the corporation to carry on the business for which it was created. There is no conflict of power and responsibility, no checks or balances. A business corporation would go bankrupt if it were subject to the endless checks and delays that inhere in political action.

The private corporation is a reflection of the desires of business. It is a natural instrument for getting things done. It is biological in its form. It is like a human being in the simplicity of its methods and the directness of its processes.

The private corporation has greater freedom than a sovereign state and more power than a municipality. It can borrow money as it wills; it can spend it as it wills; it can carry on almost any industry and perform almost any service. The corporation is a free agency. The political state is in chains. The one is organized for action, the other for inaction. This is one reason why the state is inefficient. This is one reason why the private corporation is so all powerful.

FREEDOM THE PROPER OBJECTIVE OF GOVERNMENT

A natural society should be adjusted to the greatest possible freedom of expansion. It should be fluid and responsive. It should evolve and change. There is no more reason to fear mankind in its collective capacity than in its individual capacity. Freedom is the rule to which political life should adhere. For freedom is the first law of nature. It underlies all biological processes. Freedom also explains our achievements. The ingenuity, resourcefulness and courage of America is traceable to freedom.

And freedom is the law of nature; a law as immutable as any law that nature sanctions. Not the freedom that gives privileges to some and imposes burdens on others; not the freedom that refuses to distinguish between that which is essentially public and that which is essentially private; not the freedom which grants a license to the corporation and

chains to the community; but the freedom of each man to live his individual life so long as he does not interfere with the equal freedom of his fellows and the equal right of the community to live its life in its own way unrestrained by artificial obstacles.

CHAPTER XII

POLITICS

WE think of politics as a struggle of individuals and parties over fundamental policies and statesmen as the exponents of great principles. But these are the non-essentials of politics, just as they are the non-essentials of history. Politics is a struggle to control the distribution of wealth.

Wealth is diverted from one group to another by law. This is accomplished by legislation which confers privileges or some form of monopoly power. Laws endow one group with the right to collect tribute from another group. It is for this that men seek to control government.

PARTIES ARE ECONOMIC AGENCIES

Organized government is carried on by parties. But if we look beneath the surface we find that political parties are agencies of economic groups, representing different kinds of wealth, and seeking different kinds of privileges. This is true of all nations.

In Europe the contending parties are the old landed aristocracy on the one hand, and the new

industrial and financial bourgeoisie on the other. The history of the nineteenth century is a history of the struggle of these two groups. They contend for principles as those principles fall in with their economic interests. But their principles always reflect their economic interests.

In England, the Conservative Party is a landlords' party while the Liberal Party is a party of the bourgeoisie. But the landed class is always supreme. It never loses power. It controls the House of Lords. It controls the House of Commons as well. It controls the administrative agencies of the government.

In France the ruling group is also economic. It is financial. The power which rules France is the banks of Paris. The Paris banks are interlaced with millions of peasants to whom they have sold billions of securities of foreign governments. This has identified the peasants with the bankers. The bankers control the press; they shape the foreign policy. They shape the domestic policy as well.

In pre-war Germany it was the Junker landowner and the industrial trusts, combined with the big banks, the Deutsche Bank, the Dresdener Bank, the Darmstater Bank and Disconto Gesellschaft, that ruled Germany and brought her to ruin.

In Denmark a different class is in control. It is the peasant class. It owns and rules. For 89 per cent of the farmers of Denmark are home owners. In Australia it is the middle-class farmer and the

workers that own the country and rule it. Those who own a country rule it, and those who rule it own it as well.

ECONOMIC POWER CONFERS POLITICAL POWER

In every age and in every country, politics reflects the will of the class that is economically the most powerful. This was true in ancient Greece as it was in ancient Rome. It was true in the mediæval Italian cities. It is true in Europe to-day. The state is an economic, not a political thing. The state is an agency of an economic class. It is little more.

The long struggles of the British kings with the lords were economic struggles. They were not struggles for liberty. Neither the king nor the barons were interested in the people of England. They were interested in the distribution of taxes. Should the king collect his revenues from the landlords through feudal dues, or should the landlords and the king join hands and shift the tax burden on to the common people? These and other struggles over the land were the controlling issues of Great Britain for seven centuries.

To-day the essentials of politics are the same. Political parties, tory and liberal, are agencies to further the interests of the landed and the commercial classes. Only within the last few years has a labor or producers' party risen to challenge their power.

Politics in America reflects the same economic struggle. Prior to the Civil War the Democratic party represented the slave owners and cotton growers. To-day it represents the plantation owners of the South and the small business men of the North. The Republican party is a party of high finance. It represents privilege in all of its forms. As an evidence of the artificiality of party organizations, we see the old parties coming together when threatened by a producers' party. The Republicans and Democrats joined hands in North Dakota and Minnesota to defeat the Nonpartisan League. In New York City and Milwaukee, they joined hands to prevent the Socialists from electing their representatives. The Assembly at Albany, without regard for party, recently expelled the Socialist members, and passed a bill whose object was the exclusion of Socialists from representation in the government. In England, Conservatives and Liberals unite to defeat candidates of the Labor Party. Wherever a producers' group threatens the power of privilege, the old parties bury their differences in order to prevent it from coming into power.

HISTORY OF PARTIES

America is no exception to this economic interpretation of politics. Up to about 1880, the politics of America reflected a free society. The official class was drawn from agriculture, from industry, and from the legal profession which represented these

classes. Wealth was fairly well distributed. There were few law-made privileges. There was little caste. Society was organized to encourage equality of opportunity. And the contending parties represented the economic structure of the state.

For two and a half centuries we had a political state that mirrored a free economic state. Alexander Hamilton, it is true, had used the government to create privileges of various kinds. He was responsible for the protective tariff, for a national bank, and for the centralization of government. These measures may have been justified by the emergencies of a new and a loosely knit federation. The privileges and tendencies established by him were swept away by the election of Jefferson, and from this time down to the close of the Civil War, privilege, aside from negro slavery, exercised but little influence on the nation. The tariff was kept at a low level. The public lands were distributed to actual settlers. The philosophy which prevailed was that of state rights, decentralization of government, and freedom of action and equality of opportunity to the individual man. The federal expenditures were kept at a minimum. They amounted to only \$63,000,000 in 1861. There was a small army and navy. There was no demand for a military establishment.

THE CIVIL WAR

The opportunities of the Civil War, like the great war just closed, gave birth to an exploiting class. The Republican party demanded a protective tariff. The necessities of the treasury gave the protected industries an opportunity to go the limit in protective legislation. When the war was over this class was too powerful to be dislodged. The national banks which had aided the Government during the war, were interlaced with the Treasury Department. The Pacific railroads came forward with plans for transcontinental railroads. They made inroads on the public domain, and obtained 130,000,000 acres as an aid to their construction. As time went on, these interests were merged into what was a single economic group. It ramified into states and cities in connection with public utility corporations, promoted and ultimately owned by the same financial interests.

In recent years, the exploiting class has been growing more and more powerful. It has added to its wealth and to its political power as well. It fastened its hold upon our municipal life, upon our states, and upon the nation as well.

RISE OF FINANCIAL GROUPS TO POWER

About 1900, these economic interests began to be closely interlocked, politically and financially, by common directors. Their offices were moved to

New York. They became in effect a nation-wide syndicate, controlled by four or five banking groups, whose ramifications ran into insurance companies, transportation, mining, and other monopolies. They control all of the major trusts. The extent of this concentration of banking and industrial control is indicated in the report of the Pujo investigating committee to Congress in 1913, which made an inquiry into "Concentration and Control of Money and Credit."

From 1865 to 1914 political power has gradually passed from the producing to this new exploiting group. It is a financial group. It is identified with Treasury operations. It maintains the protective tariff. It controls railroads, mines, public service corporations all over the country. It protects the great trusts from interference. Most important of all, it aims to control taxation. It seeks to shift the burden of taxes from wealth to consumption. It is identified with indirect, as opposed to direct taxes. It opposes the income and inheritance taxes and stands solidly for customs and excise taxes. It is now seeking to shift the burdens of war taxation from direct taxes on to taxes on sales. The power of these interests was manifested in the recently enacted railroad bill; in its opposition to the Federal Reserve Banking Act. It is active in water-power legislation, and legislation looking to the disposition of the public lands. It uses its power to secure a great army and a powerful navy; to promote inter-

national finance and imperialism. The suppression of freedom of speech, the sedition bills before Congress, the use of the injunction against labor, and the control of the policing and the military power for the suppression of protest, is symptomatic of the power and the purposes of privilege in politics.

This briefly is the history of the use of government as an agency of economic privilege. The Republican party is identified with the exploiting financial group. The Democratic party is primarily interested in the economic interests of the South and in the suppression of the negro. Exploitation, as opposed to production, is the controlling motive of both parties. They both use the Government as an agency for the distribution of wealth. They are at one in their hostility to labor and to the farmer who are unrepresented in politics.

CONGRESS

In the congressional election in 1918 privilege was swept into almost absolute power in both houses of Congress. There is scarcely a score of men in the Senate and the House of Representatives who represent the interests of the producing groups. There are 285 lawyers in the present Congress. They carry into political life the interests of their former clients. There are scores of bankers in Congress. The South is represented almost exclusively by the plantation-owning type, and by lawyers, while the West is represented by landlords, mine owners,

editors, lawyers, and other representatives of privileged interests. Whereas two generations ago American politics represented the interests of the farmer and the small manufacturer, to-day the producing groups are almost unrepresented. They have little voice in the affairs of government, and are only tolerated by the ruling groups in both houses of Congress. The transformation of government is complete.

The producing groups are allowed to retain only so much of the wealth that they produce, as the exploiting classes are unable to take from them. The right of labor to strike is being taken away by the arbitrary acts of executive officials and of Congress. The Attorney General and members of the Senate have sought to enact laws to make strikes unlawful, while the sedition bills before Congress were said to be so worded as to make striking workers outlaws, subject to criminal prosecution.

In America as in old Europe the political state has been taken over by an economic group. It has become a private thing. It is used to protect private interests. It has little concern for human rights or for the promotion of comfort, happiness and convenience for the people. The state has become an almost exclusive agency of privilege. It is an agency of a class that creates wealth by law and then uses the state to protect the wealth so created. It is because of the control of the state by the exploiting, parasitical class that poverty exists in the

midst of plenty, that two per cent. of the people own sixty per cent. of the wealth, that banking agencies have been able to secure such complete control of the credit and wealth of the nation. It is because of such control that the means of transportation have been passed over to banking control, that monster monopolies have been reared, that the mines, standing timber, oil and land of the nation has become the private possessions of a handful of men. These are some of the costs of the control of the nation by an economic class which controls political parties, Congress and the courts and that makes and molds public opinion through the press for the maintenance of its power.

FUNDAMENTALS OF POLITICS

Herein is the real issue of all politics. It is between the producing and the exploiting groups. The producers aim to keep the wealth which they produce; the exploiters aim to take it from them. The workers and the farmers desire freedom from extortion, cheap and open means of transportation, the control of credit and marketing in the interest of the producing and the consuming classes. Their interest lies with freedom in trade and in industry. They are opposed to customs and excise taxes, taxes on sales, and to the protective tariff.

Almost all of the issues before the country are between the producing and exploiting groups. The producers are in the great majority, but are split

asunder between two parties, neither of which represents their interests. The exploiting groups are well organized. They are sympathetically related. They are readily responsive to a call which is partisan or bi-partisan as the necessities of the occasion may demand.

The real issue in American politics should be between economic classes about economic issues. The line of party cleavage should be between those who produce wealth and those who seek to appropriate it. Until this issue is recognized, until parties divide along these natural lines, there will be no vital political system in this or any other country.

CHAPTER XIII

OVERHEAD

THE political state not only sabotages the production of wealth; it transfers a constantly increasing share of the restricted output from one class to another. This is another form of sabotage. It discourages effort as it did in the old régime when the peasant found that increased effort resulted only in increased rent and higher taxes. There is less and less wealth to go around while an increasing portion of the wealth produced is absorbed in overhead by those who do not produce it. This transfer of wealth is a result of the control of the state by a non-producing, privileged class.

The budget of a country is a mirror of the kind of government that prevails. A democratic society spends generously for democratic purposes; for education; for the promotion of the comfort and well-being of the people. We find examples of this in Australia, in Denmark, and in Switzerland. A privileged society spends lavishly for policing, for the army and the navy, for spectacular displays of force. Privilege fears for its unstable privileges.

It fears education. It fears protest. It has a morbid apprehension of revolution. Fear is the normal psychology of a parasitical society. And fear leads to extravagant expenditures for agencies of force both at home and abroad. Alien capitalism demands a large navy to protect its imperialistic investments, while the financial interests demand a big military establishment for the maintenance of order at home. The present Congress reflects the hysteria and fear of the capitalistic classes. The colossal federal budget is born of the psychology of fear and force.¹

TAXES

Taxes are the first of the overhead charges on society. They were a negligible burden up to forty years ago. Taxes have been enormously increased as a result of the war. Whereas in 1913 the federal budget amounted to a billion dollars a year, it is now more than five times that figure, and may amount to eight times that figure. In 1914 the federal tax burden was but \$50 per family, whereas to-day it amounts to \$250 per family. Our federal taxes alone absorb from one-sixth to one-fifth of the income of the average worker. Even this is below the burden actually borne, for customs taxes, excise taxes, and even the excess profits taxes cumulate over and

¹The psychology of the political state is mirrored in the Congressional budget for 1920. As shown in Chapter XVI 92.8% of our total expenditures are for past wars and the maintenance of the war and navy departments.

over again before they are paid by the consumer. They are also regressive taxes. They are borne by those least able to carry them.

The budget of the City of New York, which was something over \$200,000,000 in 1912, is now in excess of \$350,000,000. It has increased 75 per cent. in seven years' time. It is likely to go much higher. The budget for New York State exceeds \$125,000,000. Increased living costs are forcing up wages of teachers, policemen, firemen and other municipal employees. It has raised the cost of all improvements. Within the next few years, municipal and state taxes are likely to be increased by at least 100 per cent. over what they were in 1914. The tax burden of America is not far from ten billion dollars, or nearly one-seventh of the total wealth produced. With the soldiers' bonus, the railway deficits and other demands, the total burden may be increased to more than twelve billion dollars. A great part of this is a war burden. It is for interest, military, naval and other non-productive purposes. For this expenditure society receives little return in services. It is a privileged expenditure imposed on society by the class in control of the state. Nearly one-seventh of the currently created wealth is being taken by the state. It is taken from capital and from labor. It yields no return. It diminishes wealth production. It impoverishes the people and reduces their power to produce and to consume as well.

PROFITS

Profits, interest and rent are other forms of overhead. Interest is a return on savings. In a free society it is fixed by the competition of capital seeking investment. Prior to the war, the normal return on capital, where the element of risk did not enter, was between four and five per cent. Three and four per cent. is still the savings bank return to depositors.

In a normal society, interest is a proper charge on production. It need not be a serious burden.

Up to about 1890, interest and profits were kept down by competition. They were a negligible burden on the consumer. With the monopolization of industry in the nineties, prices and profits were increased. They were not a return on capital in the form of interest; they were a tribute exacted by monopoly to maintain an artificial security structure of the monopolized industries. These monopoly profits soon became fixed as normal profits. Between 1890 and 1905 billions of new securities were sold by the banks which brought the monopolies into existence. To give these securities value, prices had to be increased. These price increases had to be maintained because of the speculative securities structure which had been erected. By 1914 this artificial scale of prices and profits had become permanent. Compared with conditions of twenty years before, profits had become a colossal burden. They

absorbed a great part of the current wealth. For these profits society received no return. They were not an interest charge. Nor were they payment for organizing or administrative skill. They were tribute taken through monopoly control of basic industries, which for the most part, enjoyed privileges from the government through the tariff, transportation, patent rights, the control of land, minerals and credit agencies.

THE WAR

The Great War increased these monopoly profits still further. This was particularly true of coal, of food, of iron, of copper, of oil, of the munition plants, of all industries benefitted by the war. Some indication of the extent to which the overhead charges of society were increased is indicated by official investigations. Senate Document No. 259 was a report from the Secretary of the Treasury in response to a Senate Resolution demanding information on this subject. Briefly summarized, this report showed among other things the following:

Profits of coal operators as stated by Secretary McAdoo, ran as high as 2,000 per cent. Nearly half the coal companies earned profits on their capital stock ranging from 100 per cent. to as high as several thousand per cent. In an analysis of this report made by Basil M. Manly, formerly of the War Labor Board, which appeared in the *Searchlight* for April, 1920, it is stated that the American people

paid profits equal to the entire capital stock of half the mines reported. The net income of 404 coal companies was \$78,000,000, or nearly 45 per cent. on their total capital stock, both bona fide and water. Mr. Manly says: "Making due allowance for smaller profits in 1918 and 1919, it is absolutely certain that it would have been cheaper for the American people to have bought the coal mines outright when we entered the war so that coal could have been sold to people at a low cost, than to have paid the enormous profits of the last three years. To put the matter in a different way, in the last three years the American people have paid in net profits every dollar's worth of stock of the coal companies."

Food speculators, canners, etc., made as much as 2,000 per cent.; owners of woolen mills as much as 1,770 per cent.; the furniture manufacturers as much as 3,295 per cent.

The steel corporations made colossal profits. "One corporation," says Mr. Manly, "made net profits for the two years 1916-17, after the payment of interest on bonds and other allowances for all charges growing out of the installation of special war facilities" amounting to \$888,931,511. The Comptroller of the Currency in a special investigation of the subject, says that the United States Steel Corporation could have doubled the wages and salaries of every one of its employees, salaried as well as wage earners, and still have paid a handsome return on the capital stock and set aside a substantial sum

for reserves. Or it could have reduced the price of steel by \$30 a ton and still have made very substantial profits.

The Senate Document shows that out of 122 meat packers, one-fourth made more than 100 per cent. profit on their capital stock. One corporation with a capital stock of \$1,000,000 made a net income in 1917 of \$49,139,147. Even after the payment of all income and excess profits taxes it still had a profit of \$43,810,984.

This is Mr. Manly's conclusion after investigating the report. He says:

"The fact is — and this report of the Treasury Department proves it beyond any doubt — that the American people during the war did pay in net profits for the entire capital stock of the corporations in the essential lines of industry and trade."

Continuing, he says: "In other words, it is clear that if the national Government at the beginning of the war had taken over the essential lines of industry, and the American people had been required to pay the prices which private manufacturers and merchants have charged them, there would have been sufficient profit to pay for every dollar's worth of capital stock, and leave the nation to-day in possession and control of practically all its manufacturing plants.

"If this had been done, and the manufacturing officials and employes had performed their duties as efficiently for the Government as for the private

corporations — and every citizen has a right to assume that neither the manufacturing officials nor the other employes would deliberately sabotage their Government — we should have to-day, instead of a debt of \$26,000,000,000, a large part of which went to pay for the products of these industries, a debt of only the billions necessary to cover the expenses of our Government, the pay of our soldiers, and the loans to our allies. In addition we should have vested in the Federal Government the ownership of billions of dollars' worth of manufacturing commercial property. This opportunity now seems to be lost, but the picture of American profiteering revealed by this official document of the Treasury Department should be indelibly fixed in the mind of every American citizen."

A similar independent inquiry of war profiteering was made by W. Jett Lauck and presented to the United States Railroad Labor Board in the railway wages hearings. The report which he presented disclosed:

(1) The corporations of the country earned in net profits approximately \$4,800,000 more each year for the three years 1916, 1917, 1918 than they did during the three years that preceded the war. In other words, their net profits were almost \$15,000,000,000 more than they had been in the three pre-war years. Reduced to an individual basis, this meant a profit of \$240 from every family of five in the nation.

(2) These corporations earned enough in profits to replace the entire value of their capital stock and their entire investment, in a little over four years' time.

(3) The coal operators increased the price of coal four times as much as the increase in labor cost. They made a clear profit of more than \$1,000,000,000 in four years' time.

(4) Since the war new profiteers have come in; profiteers in clothing, food, household supplies, and other staple necessities. Price advances since the war have in many instances been greater than during the war.

The report of Mr. Lauck concludes: "Viewed as a pure economic proposition, in the light of economic history, no sane man can fail to realize that the present situation in the United States marks the gravest crisis the nation has confronted since the Union was threatened in 1860."

"Probably the most aggravating factor in the situation from the labor standpoint is that the same powerful interests which have been and are so manifestly exploiting the needs of the public and the toil of the workers, are the same interests which have embarked upon a deliberate campaign of propaganda and misrepresentation to fasten upon labor the responsibility for high prices; in other words, to play off the two sets of victims, the public and the workers, against each other."

"It cannot be denied that this effort, plain to the

worker who struggles to maintain his family decently is daily becoming more precarious, is fanning the flames of discontent, and making the United States a fertile field for the propagandists of violent economic revolution."

The overhead of society expresses itself in other wasteful ways. It expresses itself in extravagant display, in wasteful effort. The amount of money spent on advertising before the war amounted to \$1,000,000,000 a year. Nearly as much more was spent for oral and other kinds of persuasive salesmanship. This was three times the cost of education in elementary, secondary, professional schools, colleges and universities, for which the total expenditure in 1913 was only \$704,082,295. Advertising costs to-day are probably two or three times the pre-war expenditure.

These war profits and post-war profits bear little relation to labor cost. They are profiteering pure and simple. In the report submitted by Mr. Lauck, referred to, it was shown that while shoes had advanced \$3.50 in price, labor had received only 15 cents of the increase. A similar showing was made as to clothes, as to coal, as to railway transportation cost, as they affected individual commodities. The labor increase in iron and steel products, in copper, oil and gasoline, in lumber and print paper, bore no relation to the arbitrary increases in price. They were the result of monopoly power, arbitrarily used under the protection of the Government and the

privileges the Government has conferred upon those who control the basic industries and services of the nation.

The new scale of war profits has now become fixed as normal profits. It is far in excess of a proper return on capital. It bears no necessary relation to cost of production. This profit level is a monopoly profit, pure and simple. It is fixed by what the traffic will bear.

GROUND RENT

Ground rent is the third overhead charge on society. It has been increasing with great rapidity. This is true of agricultural, as it is of urban rents. There is no possible justification for this increase. There has been no labor added to land. Nor have the taxes on land been increased. Ground rent is tribute pure and simple.

Ground rent is payment for speculative land values, which have shot up at an unparalleled rate during the last few years. As a result of the congestion of our cities, and the checking of building operations, rents have advanced to prohibitive figures. They are limited only by the ability of the people to pay. The result has been fewer rooms for families, less desirable homes, a curtailment of comforts by all, save the rich and well to do. This rent increase has been highest where the pressure of war industry has been most severe. The control of rent profiteering by rent legislation has scarcely

touched the evil. High rents are affecting marriages. They are checking the birth rate. They are attacking the professional classes, teachers and persons of fixed income.

Agricultural rents have also advanced with increasing land values and food prices. In Iowa, Illinois, and Kansas, land values have been pyramided by land speculators until they have reached dizzy heights. War prices for farm products made it possible for farm tenants to pay high rents. These rents have been capitalized by landlords. The land of America has been artificially increased in value by many billions of dollars, and land has been sold and mortgaged on this new basis. Farm rents in Iowa and Illinois have been doubled and trebled in the process.

BURDEN ON PRODUCERS

The overhead charges of taxes, profits and rent are measured in tens of billions of dollars. The tax burden alone, with its accumulated accretions, amounts to from ten to fifteen billion dollars a year; rents, royalties and payments for the land, probably amount to ten billion dollars additional, and excessive profits to as much more. The total overhead of America, with the cost of maintaining the army of exploiters and parasites which it involves, is from one-third to one-half the total wealth produced.

The producing classes are staggering under this

colossal overhead of taxes, profits and rent, which is relatively new to America. It has come upon us during the present generation. It was unknown to our fathers. For this overhead society receives little or no return. It adds little to the comforts, the convenience, the happiness of society. It enriches society no more than did the services rendered by the serf to the seigneur in the old régime. The privileged classes return no services for the tribute which they collect.

This overhead is taken by those who own from those who toil. Labor seeks to meet its increased burden by collective bargaining or by strikes. Yet labor in the aggregate does not and cannot keep up with the increased overhead charges. Labor may receive higher wages. The pay envelope may seem bigger. But the comforts received, the food, the opportunities for living, must of necessity be reduced.

THE FARMER

The same is true of the farmer. He cannot combine. The prices he receives are fixed in the markets of the world. They are fixed by food exchanges like the wheat pit in Chicago and Minneapolis, by poultry and egg exchanges, and by the packing monopoly. They are fixed by buyers and commission men employed by these agencies.

The farmer not only produces for an unknown market; he produces for an unknown price. In this

respect he differs from every other producer. Even the worker has more certainty as to the wage he is to receive. The farmer cannot negotiate as to prices. He has but one market and that is controlled by the buyer. The price of wheat, corn and cattle as well as milk, eggs, poultry and truck garden stuff is fixed for him. The farmer has no warehouses of his own and little credit with which to carry his produce should he desire to do so. He must sell almost immediately after harvest, and he must sell to a buyer who has all the cards in his hands. Each year the farmers of the West complain that they sell their grain-fed beeves and hogs for less than it costs to produce them. The wheat growers of the Northwest, the dairymen and truck gardeners about the cities, make the same complaint. The 6,000,000 farmers of the country carry a great share of these overhead costs, and the profits, commissions and salaries of the exploiting groups.

THE BURDEN ON LABOR

This burden of overhead is all borne by the producing classes. It may be the labor of the mind or the labor of the hand. Labor applied to the land brings forth food and raw materials. Labor applied to the machine brings forth goods. Labor applied to transportation gives a place value to wealth. Whatever the field of effort, all wealth is the product of labor. And the tribute is paid each year out of the current wealth produced. It cannot be other-

wise. There is no other source from which it can come.

Labor supports itself. It largely supports the state by taxes on consumption; it supports the landlord; it supports the exploiting, the professional and the parasitical groups. It supports the cost of banking, credit, distribution, exchange. The costs of exploitation are ultimately paid out of the products of labor. As the exploiting group grows in economic power, it uses its power to increase its political power. It uses the state, the press, the agencies of public opinion. Neither Congress nor the Department of Justice show any disposition to challenge its exactions. They do not regulate or control the food gamblers, the fuel monopolists, the speculators. Sugar is selling at three times its pre-war cost. Coal, iron and steel, clothes, shoes, hats, have doubled and trebled in cost. Eggs, poultry, meat and all food products have passed under the control of the packing syndicate, which charges what it will unchallenged by the press or by Congress. Lumber and building supplies have become prohibitive. Profiteering without limit is the order of the day. The power of the exploiting group is so unquestioned that it fears neither public opinion nor political action.

The parasitical classes have also increased in number. They too feel that they have a vested right to live as parasites. As they are closely identified with the exploiting groups, they are protected from molestation.

Labor and the farmer can only meet these conditions by demands for higher wages and higher prices. But this does not protect them. It merely creates a vicious circle. Increasing wages are made an excuse for a further increase in prices. This increases the cost of living which in turn necessitates further wage demands.

This is the industrial cycle that privilege has set going. Even should labor permit its standard of living to be reduced, even should the farmer permit his prices to be cut this would bring little relief to the consumer. For competition is gone. The exploiting groups charge what the traffic will bear. They apply the rule of monopoly, which is to take as much and give as little as possible.

PROFITS ARE CREATED OR PROTECTED BY LAW

In this process of wealth transfer from one class to another privilege is not violating the law. Privilege is protected by the law. It is pursuing the approved principles of business. There is no legal reason why business should take less than it can get. There is no reason why the trust should charge less than it can collect. There is no reason in law for expecting men who control the economic life of America to take a penny less than they can make, to refrain from exploitation, to pay higher wages than they have to, to pay more taxes than they are compelled to pay, or to sell any more or any bet-

ter goods than they are forced to sell by their customers.

Exploitation is the rule of our economic life. It is approved by commercial opinion. It has the sanction of our law makers and of our courts. It is the logical result of the rise of privilege to power. Exploitation is the rule of modern society. It should be frankly faced. For no improvement is possible so long as we deceive ourselves as to the facts.

Exploitation is born of the political state. The taxes we bear, the ground rents, the profits of monopoly, the subsidies to the railroads, the privileges of the banks, the patent rights that shield monopoly, the tariff and the indirect taxes on consumption, the control of the agencies of justice and of administration, all these are privileges created and protected by the state. The overhead costs of society are law made. They are law protected. They are sanctioned by the state. Were it not for the privileges created by the state wealth would be distributed according to labor cost, speculative monopoly values would crumble, profits would be controlled by competition while the producing as opposed to the exploiting classes would rise to power. Wealth created by law is at war with wealth created by labor.

CHAPTER XIV

FEUDALISM

FEUDALISM is commonly described as a system of land tenure by an hierarchy of persons, each holding from some one above him, and all holding ultimately from the king. In this hierarchy the lord provided a certain number of soldiers and supplies to the king; the vassal supplied a smaller quota of men and performed personal services to the lord, while the lowest grade of vassals paid rent in the form of produce and rendered personal services on the farms, in the household or on the field of battle. Every man held his land from some one above him; every man worked or rendered services to his superior. Feudalism was a system of land tenure and a political organization based upon land tenure. It was the prevailing European society for ten centuries.

THE ECONOMIC FRAMEWORK OF FEUDALISM

This hierarchical tenure of land was the economic framework of society. Feudalism was also a social system in which man's relation to land fixed and determined everything else. Society was organized

about economic relations. The workers and the peasants paid all the taxes, all the rent, and performed all the productive work of society. The seigneur owned the wine-presses and the mills to which the workers were compelled to bring their produce. He also took tolls on the highways. By this means the overlord exacted tribute from the workers. Taxes were collected from the things the people consumed, or were paid by the peasants and the serfs. The privileged classes paid no taxes at all.

Labor was divided into groups. Men could not move from one group to another. They dared not organize as workers. A trade union was a criminal conspiracy. Men might not organize for higher wages or to improve their status. There were laws against such combinations.

A PRIVILEGED SOCIETY

Education was privileged. It was confined to the clergy and the leisure classes. The professions of law, drama and literature were parasitic. They lived by the favor of patrons. Professional men thought and said what the ruling classes wanted them to say. There was no freedom of discussion and little freedom of thought. The mind of society was fixed by the rulers and owners, who compelled the philosophers, the lawyers, the teachers and the writers to support the economic system and to say what the ruling classes desired. The psychology of

society was a caste psychology shaped and molded to maintain the feudal class.

The leisure classes did no work. They owned and they ruled. They were privileged in every way. They treated the classes below them as little better than slaves. They, the lower classes, had no rights in the courts. For the seigneurs were the courts as they were the law makers.

Feudalism was more than an economic hierarchy. It was a stratified society which permeated into all relations of life. There was little for men to strive for. It was dangerous to save because anything one saved was seized for taxes or rent. The mind of the people was controlled. So was invention and initiative. Ultimately people almost ceased producing. Poverty was universal. The control of society by a parasitic, economic group led to the paralysis of energy and effort.

THE FRENCH REVOLUTION

Finally the French revolution came. It was both political and economic. It dethroned the king and the privileged classes. It divided the land among the peasants. It destroyed the feudal system and the caste organization of society. The peasants became owners instead of serfs. Economic freedom went hand in hand with political freedom. The mind, the talent and initiative of the people was released and a new society was born which, during the last hundred years, has been increasing the produc-

tion of wealth, the efficiency of labor and the economic and intellectual well-being of mankind.

This was the feudal system of old Europe, which we assume came to an end with the French Revolution. Yet an analysis of conditions in America shows that we are fast taking on feudal forms. In fact, almost all of the elements of feudalism are here. The underlying forces of the new feudalism as of the old are economic. They control politics. They shape the intellectual and social relations in which we live. The forces at work are perfecting a system that is essentially the same as that of the old régime. It is a system in which the privileged groups are far more powerful than they were in olden times.

PRESENT DAY SOCIETY

First, the structure of present day society is feudal. Land, credit, transportation, fuel, iron ore, oil, copper, lumber, and the control of foods is in the hands of a few men who determine how and when and on what terms they may be had. Those who control these economic processes are closely interlaced by political and economic interests. They operate out of Wall Street as the seigneurs operated from Versailles. Through concentrated control of industry, millions of workers and a hundred million people are subject to the decree of these men.

The land is passing under feudal control. Over

200,000,000 acres, or one-fourth of our total area, is in the hands of less than 50,000 persons. Many estates in the West are as large as those of feudal Europe. The agricultural class is rapidly becoming a tenant class; we are fast developing a competitive tenancy that has no security of tenure, that may be evicted at will, and that pays increasing rent each year to the land-owning group. A study of the census returns shows the rapidity of the growth of tenancy, and the investigations that have been made in the West, especially in Texas, Oklahoma and Iowa, disclose conditions not very different from conditions in Ireland prior to the passage of the Land Purchase acts.

Agricultural rents are rising. They rise as the result of competition for land and the withholding of land from use. Not to exceed one-half of the enclosed land is tilled, while hundreds of millions of acres are held out of cultivation altogether. Our urban population is increasing while the rural population is decreasing. The city population demands more food. This in turn increases the value of agricultural land and the price which can be demanded for its use.

In so far as land is concerned America exhibits the essential conditions of feudal times. We have land monopoly and large holdings, we have tenancy and increasing rents. These are the essentials of the servile system of old Europe.

The fuel, the oil, the timber, the iron ore, copper

and resources of the earth are owned by a relatively small group of men as they were in earlier times.

INDUSTRIAL FEUDALISM

Transportation is in private hands. It is owned by the same group that owns the basic industries and the raw materials. The rule of railroading is to charge what the traffic will bear; to take as much as possible from the consuming classes. Railroads are not primarily interested in upbuilding the country; they are interested in speculation, stock-jobbing and the suppression of competition. They discourage competitive production. They, along with landlordism and the withholding of resources from use, are sabotaging the nation. They smother the inventive, and productive capacity of the people.

To this must be added the private control of banking and credit. It too is closely controlled by a banking syndicate, whose power radiates out from New York to the smallest town in the land. Our credit resources are concentrated. They are not used primarily to aid the farmer, to stimulate competitive industry. They are used rather to promote and protect monopoly and to enable those who control our credit resources to speculate and gamble with the lives of the people. More recently, these resources are used for overseas exploitation and the development of other countries rather than our own. Imperialism has come upon us. And imperialism is the last stage of capitalistic feudalism,

These elemental agencies — land, raw materials, fuel, transportation, and banking, control everything else. They determine our economic life. They are the foundations of society. They shape our life as did the land in feudal times.

POLITICAL FEUDALISM

Springing from economic feudalism we have a political feudalism differing but little from that of earlier ages. It is not hereditary, it is true. It is industrial rather than landed. But political power is based upon economic power. Our cities, states and the nation mirror the wants of the economic group that owns the basic industries of the country. Our political representatives are lawyers or the owners of banks, railroads, mines and the exploiting groups. Within the last fifty years the texture of politics has changed until it mirrors the interests of the group that owns.

Here we have the second element of feudalism. Whereas in feudal times political power was lodged with the king and the landed classes, to-day it is lodged with a similar economic group which seeks power and uses power just as did the grand seigneur in the past.

FEUDALIZED CULTURE

The press is an agency of the feudal class. It is owned by bankers, mine-owners, railroads, franchise and public utility groups. It is their mouth-

piece. It is this and little more. The same is true of our magazines. Any one who has watched the press in recent years must have noted the extent to which honest reporting, honest editorial writing or the free discussion of public questions has tended to disappear. The press has become a proprietary agency. Our opinions are made for us by those who own the nation and who rule it as well.

Education has taken on the color of the ruling class. This is true of our privately endowed colleges and universities. Teachers dare not think freely or speak freely or permit others to do so. Universities and schools drop from the faculties men of independent thought. They frighten men of initiative. This is not confined to political economy. It is true of cultural questions as well. Those who should lead the thought of America are denied the right to do so. They are kept in a condition of terrorism by trustees, who in turn represent the group from which donations and foundations are to be expected.

Our state universities are but little better. They mirror the state legislature. And in recent years our state universities have become almost as reactionary minded and intolerant of free opinion as have the privately endowed universities of the East.

The church reflects the same condition. The ministry is not free. It too is the servitor of the pew-renters; of the wealthy men in the congregation;

of those who support and maintain the church. The church has become largely a propertied institution. And it uses its power to preserve the status quo.

CASTE

Caste has appeared as it did in earlier times. The social structure is taking on feudal forms. The exploiting groups have become the ascendant groups. The exploiting professions and parasitic employments have become the desirable professions. No one desires to be a worker or a producer if he can avoid it. Every one seeks to rise into the parasitical classes. And to rise above one's station means to cease to be a producer.

The overhead burdens of society are being shifted by the exploiting groups to labor, as was done in feudal times. They then consisted of rent and taxes and services. They consist of rent and taxes and profit to-day. The overhead charges are increasing. The owning classes seek to put taxes on to the things the people buy and use. They protest against real estate taxes, income taxes and inheritance taxes. For these taxes bear upon wealth. The constant effort is to shift all taxation upon the consumer. Just as under the feudal system all taxes were paid by the serf, just as countless exactions were imposed on him in his industrial activities, so to-day the producing groups, chiefly farmers and workers, are being exploited by taxes, ground rents and profits

until the share of the producer is being ground down to a living wage. This is true of the farmer, of the professional man, of the person of small means and of a great part of the working class as well.

SUPPRESSING LABOR

As a final step in this evolution new statutes are being proposed and vigorously pressed, making it a criminal offense for labor to strike to maintain or to better its condition. The courts are themselves making laws for this purpose under equity powers of injunction. The Statutes of Laborers passed in Great Britain in the twelfth and thirteenth centuries were designed for the same purpose. Labor is the only group left that challenges exploitation. And the present intolerance of unionism, the legislative efforts to check its power, are part of a class psychology that is the final step in the evolution towards industrial feudalism. For with organized labor crushed, there is no organized force left to protest.

Under the class psychology of feudalism, labor must be forced to accept its status and be content. It must be content to accept a "fair wage" fixed by the employer or by a commission provided for the purpose by the employer. It must submit to arbitration in which labor is always at a disadvantage. These means failing, the state constabulary, the state police, the militia and machine guns are to be called out to break up protests.

CONTROLLING CONSUMPTION

The feudal classes also control the necessities of life which the worker must have to live, much as they did in earlier times when they controlled the wine presses, and the mills to which the serf had to take his produce. They fix the prices of food, of clothes, of fuel, of transportation, of practically everything the worker buys. They control the education he receives, the recreation he enjoys and the literature he reads. With the power to fix wages and the power to fix prices lodged in the same hands, with the control of political power and with it the right to levy taxes in the hands of the same class that determines wages and prices, we see how completely America has passed from a country in which freedom and liberty was the dominant note, into a country with all the essentials of feudalism save that of hereditary caste. Even hereditary caste is here, for caste is an economic, not a hereditary thing. The class which rules has identified itself with the ownership of the land, and it has been such identification, whether in old France, or in modern Prussia, Russia or Great Britain, that has given permanence and hereditary power to the aristocracies of these countries. Land has always been the basis on which aristocracies have reared themselves. It is only the landed aristocracies that have been permanent. And the aristocracy of America owns the mines, the resources, the land of our cities, the transportation

agencies and the public utility corporations, all of which monopolies are based upon the ownership of the land.

Freedom of discussion of political and economic questions is being censored. Congress, our state legislatures, and our municipal authorities have arrested men by the thousands for offenses which were freely recognized rights of a few years ago. The alleged "red" conspiracies passed unnoticed for forty years. They were part of the free, unchallenged discussion of the people. No one suggested the suppression of such expression or the interference by the Government with the constitutional rights of all classes to discuss freely the Constitution and the laws of the land.

Force is the final weapon of feudalism; and force backed by Congress, by the police and by the Army, is being organized to crush criticism or offensive political action.

These are the elements of feudalism; a feudalism we thought was forever dead. In reality, we are living in a feudal state. Why disguise it or refuse to accept it? Economic liberty is gone for the majority of the people. For the wages system is not liberty, however free the individual worker may be to change his job. Political liberty has not saved our institutions or been able to control economic privilege.

Our political agencies contribute to a feudalized society. Neither labor nor the unorganized people

can function through the maze of primaries, elections, and a tangled governmental organization, all aligned with privilege and each in turn a brake on progress. America is far more effectively chained to privilege than was old France or modern England. Our political and social philosophy is dedicated to the maintenance of the status quo.

Preferment is controlled. Free discussion is checked. Individuality is stifled. Thought is stratified. This is the costliest price of all. For freedom of the mind is fundamental to a progressive civilization. In this too, we have a reproduction of the psychology of the old régime; of the psychology that deadens and destroys the culture of a people. It is this that is responsible for the slackening of production, it is this that is responsible for sabotage. It is leading the worker to limit his output and demand as much as possible for his product. For labor is treated as a commodity. And the rule of the commodity market is to give as little as possible and to get as much as possible. Feudalism is reaching its logical consequence in a stratification of all processes. In this it is true to the past.

CHAPTER XV

CIVILIZATION

THE cause of the decay of states has been a favorite study of historians. They have studied the evolution of peoples on the Nile and in the valleys of Mesopotamia, in ancient Greece and in Rome; they have described the glories and decadence of Portugal and of Spain, of the medieval Italian cities and of pre-revolutionary France. They have observed the rise of peoples to greatness, and their subsequent decay. But they have offered no adequate explanation for this phenomenon. They have seen no axioms of social evolution. Society has not been studied as have the lower orders of life. We are more nearly in agreement as to pre-historic types, as to the evolution of the ape, than we are as to the evolution of man in his organized social relations.

Yet an understanding of the rise and fall of states should be the most important concern of research foundations and universities. The colleges and the schools should study the forces that make for human progress and the conditions that contribute to decay.

There is certainly evidence enough in our libraries to disclose what has happened to other nations as powerful as our own. They disclose certain common forces that have operated in all ages and in the same way. There is evidence enough to enable the scientist to establish a law of civilization and decay. History discloses that what is taking place in Great Britain, in France, in Italy, even in America to-day, took place in earlier states whose civilization in many respects paralleled our own. And there is great similarity in conditions. The modern state it is true may be a long way from decadence. It is probably a long way from collapse. There are no barbarian hordes to overrun us as there were in earlier times. But decay is here as it was in earlier societies, apparently as impregnable as our own.

ANCIENT ROME

Rome is the historic example of the rise of a nation to a high civilization and its subsequent subsidence to decay. It was not outside conquest, however, that destroyed the Roman Empire. The decadence of Rome began in the Republic, not during the later Empire. It began with the rise of the patrician class to power and the laws enacted by this class to control the economic life of the state. These laws resulted in such a profound impairment of the people that the empire itself fell into decay. Under the class rule of an economic group the free

Roman citizen became little more than a serf; he became in time a dependent living on doles and kept in subjection by the laws and by force applied by the ruling class.

Down to the Carthaginian Wars, Roman life was simple. A great part of the land of Italy was divided into small holdings cultivated by home-owning farmers. They were the strength of the state. They formed a citizen army. They rarely knew defeat. The political institutions reflected the will of the free citizen. The patrician class was held in check by the democratic institutions that prevailed.

The prolonged wars with Carthage summoned the man power of the nation to arms. It stripped the fields of workers. During their absence in military service, the patrician class in the Senate strengthened its control of the state. It enacted laws for its personal enrichment. The senators enclosed the *latifundia* or common lands of Italy, which belonged to all the people. They had been taken in war and were common property. The members of the aristocracy divided these lands into great estates and bestowed them on themselves at an insignificant rental. Not content with this they took the farms of the soldiers. This was done by usury and foreclosure. Quite frequently it was done by force. At the end of the war the soldier found his farm gone. It was encumbered with mortgage or grown up with weeds. The soldier was without capital to begin

life anew. The *latifundia* or public domain was gone and could not be distributed. The soldier had to go to the money lenders for credit. The money lenders came from the patrician class which had already seized his lands. The free yeomen of Italy lost their homes in the process. They were placed in slavery under the debtor laws, or driven to the towns where they lived by doles and were kept contented by games and displays.

The patrician land-owners brought gangs of slaves from conquered lands to cultivate their great estates. With these, the free farmer could not compete. Husbandry became a servile pursuit. This contributed to the destruction of the free Roman citizen. The freeman lost his virility when he lost his land. He lost his political power as well. In time the citizen soldiery disappeared and hirelings took its place.¹

A great part of the food came from overseas. Tribute from the Near East and Africa supported the state. The senatorial class, which was also the land-owning and the money-lending class, gradually acquired all political power. It acquired all economic power as well. It wrung high rents from the poor. It exacted usury from the borrower. It exacted colossal profits from all the necessities of

¹ This is what is happening to-day in the West and Southwest where Mexicans are being imported to cultivate the fields and to work the mines. It was a similar policy that controlled our immigration laws and the importation of cheap labor for the mines and the steel mills during the quarter of a century before the war.

life. The state gradually and insensibly decayed. The freeman, stripped of economic power, lost political interest. He was unable to resist. Rome ultimately fell before the more virile bands from the North.

Rome was destroyed from within. She was destroyed as a result of the control of her life by a privileged group that reduced the free population to poverty with no stake, no participation, and no economic interest in the state. Rent, profits, usury and taxes destroyed the Roman Empire.

GREAT BRITAIN

Modern England is a repetition of ancient Rome. The history of these two empires, their evolution, the forces making for decay, are almost identical.

Two centuries ago, a great part of the land of England was owned in common as it was in Rome. This had been so from early times. The yeoman farmers were the strength of the state. They fought England's wars; they gradually stripped the king of power. But the yeoman farmers were helpless before the patrician class, which controlled the House of Lords as the patricians controlled the Roman Senate. The House of Lords was exclusively a landed body. No others were admitted. It was also an hereditary body. Even to-day, the House of Lords is a house of great landlords. Other groups are admitted only on sufferance.

During the eighteenth century and the Napoleonic

Wars, Parliament seized the common lands of the people by enclosure acts, just as did the Senate of Rome during the Carthaginian Wars. Members of Parliament added the common lands to their private estates. They did this by law. And as most of the members of Parliament were landlords, they legislated in one another's interest. They legalized one another's enclosure acts. Over a third of the land of England passed from common ownership to private ownership in this way.

Then the landlords drove off the cattle and the sheep of the farmer. They denied them the right of cultivation, of pasturage, of fuel and of fishery. They converted millions of acres into hunting preserves, into sheep pastures, into pleasure resorts. The Scotch immigration to America was the result of the enclosure acts of the eighteenth century.

LAND MONOPOLY

The land of England is to-day owned by a handful of people. Members of the House of Lords alone own fifteen million acres. Individual estates often exceed a million acres. And the men who own the land of England still control the House of Lords. They control the House of Commons as well. The Conservative and the Liberal parties are largely agencies for the protection of the privileges of the landowning class.

Land monopoly is universal in Great Britain. Ac-

ording to the Domesday Book of 1874, there are only 319,550 persons who have any interest in the land at all. One-fourth of the total acreage is held by 1200 persons and another fourth by 6200 persons. Individual lords own the land underlying great cities. Nine men and estates own almost all the land covered by the metropolitan area of London. They collect ground rent from all the people, from all the business men, manufacturers and occupiers. They own the coal mines. They own houses and tenements. They own the basis of all life. Great Britain is a landlords' country.

A great part of the land is held idle. This is possible because the privileged classes which own the land have exempted it from local taxation. For land as land is not taxed in Great Britain. It is assessed as it was two hundred years ago when Great Britain was almost exclusively agricultural. The valuation made in 1692 has never been changed. Parliament will not permit it to be changed. The Lloyd George budget of 1909 was an empty victory. The valuation provided by that Act has never been completed.

This makes it possible to use land for hunting, for pasturage, for speculation. Even if the estate is in the heart of London it can be kept out of use at little cost to the owner. Building suburbs can be used as private preserves. By these means forty-three million people pay rent to a handful of noble

landowners who not only own the land, they control the politics of the country as well.¹

CASTE

Caste is determined by land ownership. The Church is a landed institution. For the Church

¹ It is inconceivable to Americans that the land of Great Britain is taxed to-day as it was in 1692. There has never been a re-appraisal. The land underlying cities has never been revalued. It pays the same real estate taxes that it did when the land was used for farming. Despite the fact that four peoples out of five now live in cities, despite the fact that the city land is worth billions of pounds, despite the fact that coal mines have been discovered and metropolitan cities have been built, the landowner has not had his land revalued for over two centuries. It is as though the land of Manhattan island were taxed at the twenty-four dollars originally paid to the Indians instead of at \$5,000,000,000 as it is to-day. Moreover when there is no tenant in a house, a factory, or a shop, if there is no lessee of a coal mine, or no farmer on the land, if there is no tenant to which the tax collector can go real estate is exempt from taxation altogether. For under the laws of Great Britain local taxes, called rates, are paid by the tenant. They are not paid by the owner. He knows nothing about them. He is free to leave his estates in the heart of a city go to weeds, his mines to lie idle, his estates to be used for hunting and idle pleasures. That is why the land of England is still owned by a handful of men who have grown to great wealth by the needs of 43,000,000 people, who are only permitted to use a small part of the land and who pay high rents and all of the taxes as well. In many towns the local taxes equal one-half of the total rent paid. Both are paid by the tenant. This is the real explanation of the decay of farming in England, this is the explanation of the congestion of her cities, this is the underlying cause of the poverty of the people. The land of Great Britain, conservatively valued at \$25,000,000,000, pays less in local taxes than does the land in a village in this country of 10,000 people. This was the issue of the Budget fight of 1909. In this fight Lloyd

too owns land; it lives by tithes. The clergy is recruited from the landed gentry. Livings are doled out to the younger sons of the aristocracy. Religion is part of a landed caste.

The law is profession of the landed nobility. The barrister is often a younger son. He is always dependent on the landed and commercial classes for his briefs. He too forms part of the parasitical group that serves the aristocracy and protects its privileges in the courts, in Parliament and in the press.

Education is a privileged thing. Oxford and Cambridge are colleges for gentlemen. They are so viewed by all classes. They are very expensive, and very exclusive. They are designed to train statesmen, men of leisure and local squires. They too form part of the stratified, caste-like organization of the state.

HIGH FINANCE

The landed class is also the financial and invest-

George was successful. The land was ordered reassessed and taxed at its value. But the power of the landowning classes was so great that the assessment has never been made. A press dispatch announces that it has been abandoned. This indicates the power of the feudal aristocracy in England. The privileges which it enjoys by the exemption of its land from taxation amounts to hundreds of millions of dollars a year. This shows the economic foundation of British politics. It indicates the profits that come from the making of laws. The methods are those of the Roman patrician and the French nobility. And the consequences to the people are the same.

ing class. Its ground rents are colossal. The ground rents of the aristocracy have gone all over the world in quest of investments. They have penetrated into backward countries and have carried the army, the navy and the colonial administrator with them. Britain's imperialistic interests are a by-product of her land system. And British imperialism, along with British landlordism, are destroying Britain as they destroyed Rome. The best blood of England is absorbed in the protection of this empire, an empire born very largely of overseas investments. The fiscal burden, which has reached crushing proportions, is an imperialistic burden. It too contributes to the decay of the Empire. Added to this, the local taxes are assessed exclusively on the working and producing classes. The landed classes pay scarcely any local taxes at all. Privilege is almost as free from local taxation as it was in France in the eighteenth century.

England is in a state of progressive decay. This was evident long before the war. But the war brought it to a climax. The possession of bank credits, supremacy in shipping or even in industry means little in comparison with the condition of the people. Only the virility of the Labor Party, the character and independence of the intellectual groups, the searching criticism of radical organization and the splendid traditions of free discussion may and probably will bring about the necessary reforms by Parliamentary action. Yet this is by no

means certain. British privilege was arrogant enough when its possessions were challenged ten years ago by Lloyd George. Privilege used all its power to protect its age-long tax exemptions, and especially to prevent the use of taxation to break up the great estates of the aristocracy. The privileged classes used every means in their power, political, economic and social, to thwart democracy, just as did the Roman senate, just as did the Bourbon caste in France prior to the Revolution. The history of society in fact is one long record of the refusal of the ruling classes to make concessions, until it is engulfed either in revolution or is itself destroyed. And the present-day coercion of Ireland, India and Egypt is an indication of what British reaction may do if it should be challenged by a labor group at home.

FRANCE

France has a stationary birthrate. That does not necessarily mean decay. The decay of France is traceable to economic and financial causes that are eating out the vitality, and the productive capacities of the people. These economic forces control her politics. They control her press. They shape her foreign policies. They have diverted the power of the people into wrong channels and have so molded political thought through control of the press that France is guided by much the same economic theories that brought on the French Revolution. The pea-

sant contributes to this static condition. His foreign investments shape the foreign and the domestic policy of the nation. It is the hoarded sou of the thrifty peasant that is responsible for the aggressive imperialism of France.

Banking privilege rules Parliament. Privileges of all kind rule industry and commerce. They rule the professions and labor. Privilege in France is all-pervasive. It chokes freedom of action. It has so inhibited the life of the nation that the production of wealth and its free movement to the markets of the world is needlessly interfered with for the exclusive benefit of the banking, protected and privileged groups that control the political life of the country.

Back of everything else is the power of the great exploiting banks of Paris with their branches all over France. They have weakened the industrial power of the country and are primarily responsible for its aggressive imperialism as well.

The peasants are bound up with the banking syndicates through their foreign investments. For the \$9,000,000,000 of foreign securities are owned by the peasants, the shop keepers and the workers. As the banks think, so the peasants act and as these banking institutions are interested primarily in foreign securities, the peasants rally spontaneously to their opinions. Woven in and out of this merger of interests are countless other privileged groups,

classes and industries, each of which seeks its own advantage at the expense of the whole.

We think of France as a democracy. She has a very democratic Constitution. And the peasants with the banks do control the state. But the control of the press and the agencies of public opinion on the one hand, and the imperialistic financial interests on the other, have made the peasant a tool in the hands of the exploiting classes. This is the explanation of contemporary France. This is her weakness.

PRE-REVOLUTIONARY EUROPE

A study of pre-revolutionary Russia, Prussia, Hungary and Austria shows the same kind of forces at work within these countries. Prussia escaped in part by reason of the social legislation of the past fifty years, the popular credit institutions which existed all over the country, the enlightened policy of education, the state-owned railways and the system of peasant ownership which prevailed west of the River Elbe and especially in South Germany. Feudalism in Prussia and imperialistic ambitions were the cause of Germany's downfall. It was internal disease that brought disaster to Germany, as it has to other European powers.

In Russia and Austria-Hungary the powers of reaction ran their course. Along with military reverses they brought on revolution. For political change in an orderly way was inhibited by the feudal

classes. Revolution was the only way out. Orderly political change was impossible.

If we study the nations of the old world, from Rome to England, from Cæsar to Lloyd George, we find the same common forces at work. They have produced the same results. Land monopoly, credit monopoly and imperial conquest have been the causes of decay. These form the economic background of the long history of civilization. And in all of these countries political control was merged with economic control. They acted and interacted on one another. Through them the land was monopolized; unjust and excessive taxes were imposed; usury was exacted and surplus wealth was massed for imperialistic conquest. Surplus wealth was first used to exploit the people at home, it was then used to exploit defenseless peoples overseas. This meant more taxes; it meant a crushing military establishment; it involved a suppression of protest and intellectual freedom at home and abroad. This is what is taking place in Egypt, in India, in Mesopotamia and Ireland. This is what is planned in Mexico. This was the story of imperial Rome, of imperial Spain and Portugal, of imperial France and imperial England. Decay in all these countries began with monopoly of land and opportunities; it ended with imperialism and the exhaustion of the state in overseas conquest. The great empires of the world have been destroyed not by enemies from without, but by enemies from within.

CHAPTER XVI

SABOTAGE

EVEN though all of the conclusions of the preceding pages are not accepted it will be generally admitted that we are a different nation than we were a few years ago. The old freedom is gone. The old opportunities have passed. That the following tendencies and conditions have made their appearance is beyond question.

[(1) Labor is taking on a new psychology. The worker is dissatisfied with the wages relationship. He wants to have a voice in industry. He wants to own his tools. In many industries there is a disposition to slack. Everywhere there is a growing reliance on direct industrial action and a loss of confidence in the state.]

We cannot complain of this attitude on the part of labor, for our national philosophy is a philosophy of sabotage. Sabotage has been sanctioned by the laws of the land and by public opinion. Sabotage had its origin in the protective tariff. For fifty years scarcity has been taught as a most desirable thing. It has been taught by the press, by the schools, by political parties and by eminent statesmen. So com-

pletely have we accepted the idea that a country grows rich by scarcity that there is scarcely a voice raised for free trade which a generation ago enlisted the best thought of the country.

The tariff gave birth to the trust and to other forms of sabotage. The trust destroyed competition. That is its underlying motive. It prevents free production. Competition means quantity production, with prices fixed by production cost. Monopoly is not a natural product. It is not a natural evolution. MONOPOLY IS BORN OF LAW MADE PRIVILEGES THAT HAVE THE SANCTION OF THE STATE. IT HAS THE APPROVAL OF PUBLIC OPINION AND THE LAWS OF THE LAND. Monopoly limits production. It sabotages the nation. There is scarcely a monopoly that is not born of laws of our own making. Labor is practicing what we have endorsed as a national business policy.

(2) Sabotage is not confined to labor. It did not originate with labor. It is common to the business world. In many industries profits are increased by limiting production. The coming of monopoly has made it possible to close mills, mines and factories and to recoup for the loss in production by increased prices. We are living under a scarcity system as to fuel, iron ore, lumber, food and all raw materials. Wherever substantial monopoly prevails there restricted output and increasing prices are the prevailing tendencies of industry.

(3) The railroads and transportation agencies

also sabotage industry. The control of transportation by men who also control the major industries, creates a condition in which it is to the interest of railway operators to prevent competition. The interrelationship of the railroads with the packers, warehousemen, millers and speculators leads to destruction of food as well.

(4) Most important of all, the free land is gone. No longer is it possible for the pioneer to take up a homestead in the West and build his own fortunes with his own labor. There is no free land. A great part of it is held for speculation. Scarcely more than half of the cultivable land is under cultivation at all. And land has taken on a speculative value, a value that has risen with great rapidity during the war. These speculative values keep labor from the land. They take almost all that the tenant produces. This leads to exhaustive cultivation. Land speculation is the worst form of sabotage. It progressively restricts the amount of wealth produced. It increases the price of that which is produced. It drives an increasing percentage of people to the cities, there to live upon a progressively limited output of food and wealth; there to pay increasing rents for the privilege of living on the land.

(5) Credit is essential to industry. Yet our credit resources are under the control of banking syndicates, whose power radiates out from New York to the farthestmost ends of the nation. These banking syndicates have become investment agencies.

They underwrite monopolies, railroads and foreign loans. In many instances it is to their interest to suppress competition and discourage production.

Our banking agencies sabotage the country. They provide little or no money for the building of homes. They limit credit to the farmer and charge usurious interest. Even commercial credit is difficult to obtain. The banks are identified with the maintenance of the status quo. They are responsible for the organization of the monster monopolies. To encourage competition means to undermine the monopoly securities which they own or control. Moreover the banks make more money from lending money on call in Wall Street than they do from loans for legitimate customers who deposit their money with them. Billions of dollars are invested in stock speculation, in manipulating wheat, cotton and other supplies, while the farmers of the West and the people of the towns are crying for loans with which to feed and house themselves.

(6) The banks further sabotage the country by the export of capital and credit to foreign lands. This is another reason why there is not enough credit to provide for our own most urgent needs. The export of credit lessens the amount of credit available for our own activities. Upwards of ten billions of dollars have been loaned abroad and hundreds of millions of foreign securities, both public and private, are being offered at high rates of interest today.

There might be some defense of the export of capital if banks exported their own money. But they export other people's money, which should be kept for the use of those who deposit it. According to the Report of the Comptroller of the Currency for 1919, there were 19,000,000 individual depositors in the national banks alone. There are 12,000,000 depositors in the savings banks and probably as many more in the state banks and trust companies.

The resources of a bank consist of the capital stock invested by the stockholders and the deposits placed in the banks by the depositors. The stockholders of the 31,000 banks of the country have invested only \$2,354,831,000 in the banking business, while the individual depositors amount to \$28,243,416,755. In other words, for every dollar invested by the stockholders the people have invested twelve dollars. Even more significant, the total resources of all the banks amounts to \$53,000,000,000, or twenty-three times the amount of the capital stock. In some way or other the people have invested fifty billion dollars in the banks of the country as opposed to something over two billions invested by the owners.

Now the people place their money in the banks so as to be able to use it when they want it. They have an implied right to borrow back their own and other people's deposits when they need them. But the banks are exporting the people's money and in

so doing are crowding people into tenements, they are making it difficult and oftentimes impossible for the farmer to market his crops, they are sabotaging the production of all kinds of wealth by the credit starvation that prevails all over the country.

(7) The economic state has passed under the almost complete control of a small group of men. They control the banking and credit. They control the mines and natural resources, the transportation agencies and the greater trusts. They use their power to create and maintain a system that sabotages the freedom of society and the production of wealth as well. The captain of industry has become a financier. He is apart from industry. Frequently he is a lawyer. More frequently he is a banker. He is not familiar with industrial processes. Monopoly breeds the exploiting type of management. It excludes men of industrial experience or technical ability from positions of power and influence. This shifting of industry from the owner who has built up an enterprise and who knows all about its processes to the large aggregations of capital with officers in New York is accompanied by a change in the motive of industry. The instinct of the owner is to improve processes, to increase output, to invite invention. The motive of financial control is to increase security issues, to inflate prices, and to maintain a security structure irrespective of the quality or quantity of output or the improvement of the plant. Monopoly is wasteful and inefficient.

We see this in public utility corporations, in the railroads, in the greater trusts and in industries that are immune from competition.

Not only has the motive changed, but the men in control are unfamiliar with industry. They are promoting bankers or security merchants. They take a share of the security issues as compensation for their services. They place bankers and lawyers on the boards of directors for the purpose of protecting the corporation or to insure financial support in its undertakings. A list of directors of the large corporations in the City of New York indicates the extent to which the major enterprises of the country have passed under the control of men without industrial experience. It shows the extent to which these enterprises are interlocked with one another and with the big banking institutions of the metropolis. The economic state is passing under banking control. It is taking on the form of feudalism and its inefficiency as well.

(8) Economic feudalism creates a corresponding political feudalism. Those who own the country rule it. They use their power to create law made wealth and law made burdens which are borne by the producing classes. That is the purpose of privilege.

As a result of the perfection of monopoly on the one hand and the control of the state by the exploiting interests on the other there has come a rapid and colossal increase in the overhead charges of so-

ciety. Sabotage is limiting the amount of wealth produced, while the exploiting interests are taking an increasing share in the form of rent, profits and taxes. An increasing part of the currently created wealth is being absorbed by exploiting groups who render no return for the tribute which they take.

The members of the exploiting groups are increasing in number and in power. Parasitism is becoming a caste. This caste protects itself as it did in Russia, in Prussia, in ancient France, by the use of the state. It uses the press and the universities to mold public opinion; to give sanctity to its claims, and to protect it in its misuse of power.

(9) The exploiting groups are supported by labor. The overhead charges are produced by labor. They can come from nowhere else. The net result of sabotage on the one hand, and overhead on the other, is that there is less and less wealth for the great majority of the people. Labor must of necessity be the poorer by reason of this burden.

A recent official enquiry made by Dr. Edward B. Rosa, Chief Physicist of the United States Bureau of Standards, shows the appropriations for the fiscal year 1920 to be \$5,686,005,706. Of this 92.8 per cent., or \$5,279,621,262, were expenses attributable to previous wars and the maintenance of the war and navy departments, while only 7.2 per cent. was used for governmental functions, including Congress, the Executive, public works, research and educational work. The total budget is about \$50 per capita or

\$250 per family. Yet of this only \$1.50 per capita is spent for what may be called the primary functions of government. Scarcely anything is spent for those most in need of aid.

(10) The proximate cause of these conditions is privileges created by the state. A cross section of one phase of society is a cross section of another. Freedom, equality of opportunity, variety, invention are being suppressed by the political state.

Freedom is fundamental to progress. Freedom is a biological command. It is the first law of nature. It is her inflexible rule of life. It was economic freedom that made America what she is. It was economic freedom that spanned the continent, that developed our resources, that harnessed power and made it a servant of man. It was economic freedom that converted the ignorant and oppressed of Europe into the captains of industry. For three centuries liberty was the dominant note in American life.

Privilege is a denial of freedom. There can be no privilege without an equivalent loss of freedom, just as there can be no master without a slave. Privileges are economic. They are created by law. When privilege becomes powerful enough, it becomes the state. If we examine the governments of the world to-day, outside of those that have passed through a revolution, we will see that the political state is rarely an agency of human rights. It does not represent people. It does not represent even

property. It represents privilege. The privileged classes make the laws and administer them. They increase the tribute which they take and the number of persons within the privileged groups. Ultimately the privileged classes become incompetent. They exclude talent and ability from political power, just as they are excluded from industrial power. That is what is happening in America to-day. This is what has happened to Great Britain and France. The personnel of the last Congress as well as the nominees for the Presidency is a measure of the class in control of our political life. The political state is always a reflection of the economic state and of the class in control of the economic state. This is as true of the aristocracies as it is of the democracies of the world. England, France, Switzerland, Belgium, Denmark, Australia, and the United States are alike in this: the class that controls the economic state controls the political state as well.

When privilege becomes ascendant, decay sets in. The mediocre man rises to power. Invention, initiative, variety, change endanger the status quo. They question the established order. For this reason they must be suppressed.

Decay has already set in in America. This is true of agriculture. That will hardly be questioned. The farmer is so helpless before the privileged groups that surround him that he cannot protect himself or even save his calling from destruction. Conditions in the West are not the result of the war or

of any passing condition. They are the inevitable consequence of the environment of the farmer by exploiting interests that will not restrain themselves and cannot be restrained by the state because they are the state. The same thing is true of the railroads. It is true of the building of homes and the opening up of farms. It is true of many industries, notably coal mining. If we could correctly analyze our industrial system, the slackening of production, the waste, and the sabotage, we would be forced to admit that decay was affecting our whole economic life.

Stratification is becoming the rule. So is conformity. Initiative and effort are discouraged. This is true not only of labor, it is true of the professional and engineering classes. Talent is denied an opportunity to play. The biological processes are being superseded by artificial processes designed to maintain a privileged group in power. Society ceases to function normally and freely. The poison of privilege slowly penetrates to the working groups. In time they take on the vices of the ruling class. They become indifferent, hopeless, hostile. This is the inevitable consequence of the control of society by a parasitical, privileged class.

CHAPTER XVII

A NATURAL SOCIETY

THE political state is very different from the agencies that man has evolved in his other activities. It is complicated, unnatural, inexpert. It may be that the maladjustment of society, the inequitable distribution of wealth, the poverty in the midst of plenty, are traceable to the conflict of the political state with normal, natural laws, which if applied in our political relations would usher in a new world. We are inclined to forget that political society is man-made. It is a survival of earlier economic relations. It is an institution too in which government is in the hands of a small and relatively incompetent and untrained group interested largely in exploitation. The ruling class is the group that owns rather than the group that works. It is a group that exploits rather than a group that produces. And the primary object of the group that rules is to live by the labor of others. The state is an agency of landlords, capitalists and of parasitical dependants that are attached to and dependent on the exploiting groups.

The privileges they enjoy are in conflict with a natural order of society. They have so enmeshed our life that society is in a jungle. Privileges are created to transfer wealth from the producing classes to the class which rules. This is done by statute law. It is through special privileges that the state controls the distribution of wealth. Only in primitive societies does the state represent the people as a whole.

In addition the constitutions and the laws under which we live are not in harmony with the laws of nature. They are at variance with the laws of biology. Political society is an artificial thing; so artificial that the instincts and powers of men function with difficulty or not at all. This is why society decays. This is why we do not have more wealth and a better distribution of the blessings of civilization.

THE LAWS OF NATURE

The law of nature is equality of opportunity; a free field and no favors. Nature's laws are laws of freedom. They promote variety. They encourage initiative. They stimulate resourcefulness. The laws of nature endow no group, class or individual with any special privileges. Privilege only exists under organized society. Privilege can exist only by law.

The privileges which the ruling class creates and which give them power are all economic. And an analysis of the modern state discloses that laws con-

ferring power upon the few at the expense of the many relate :

- (1) To the possession of land;
- (2) To the resources of the earth;
- (3) To transportation and the highways;
- (4) To credit agencies for the transfer and exchange of wealth in form or in place;
- (5) To taxation;
- (6) To franchises for public service corporations, to patent rights and to direct grants of a monopoly character from the government to individuals or corporations.

These and the artificial organization of government are the agencies through which a privileged class controls society in its own interest. These too are the agencies that have brought empire after empire to decay. These also are the means by which wealth is transferred from the class which produces to the class which exploits.

THE FRENCH PHILOSOPHERS

Let us briefly examine this subject. The French physiocrats or philosophers, Rousseau, Turgot, Quesney and Diderot, who profoundly influenced the French Revolution saw the feudal régime as a confused jungle of laws and customs made and administered by the grand seigneur. They advocated a new philosophy; the law of nature; a philosophy of freedom in all the relations of life. They advocated a sweeping away of the endless laws that regu-

lated every industry and every activity, and the introduction of a natural order in which men's energies would play freely in every realm of life. The physiocrats were probably the wisest political philosophers the world has known.

The teachings of these philosophers were interpreted in Great Britain by Adam Smith. He too saw a way out of the old régime by clearing away the underbrush of feudal legislation which enmeshed society. His work, "The Wealth of Nations," has remained a textbook of clear economic thinking ever since. It too advocated liberty and freedom in the industrial world. But the teachings of Adam Smith were converted by the privileged groups into a means for protecting the existing economic system. They distorted the law of nature to mean that the state should keep hands off all property; that land monopoly and industrial monopoly should remain unimpaired. Let the landlord take as much rent as he pleases; let him own as much land as he can, permit the capitalist to own the tools and machines and take his profit from industry; sanction the existing laws of property and remove all restraints on the owning classes and a natural state will result in which men will find their place in the social and economic scale according to their abilities.

As the landlords and business classes controlled Parliament, they impressed this philosophy upon the laws of the land. And for over a century it

has ruled the thought of Great Britain. But this doctrine of *laissez faire*, so-called, is a violation of the laws of nature. At the very outset it sanctions monopoly of opportunity, and a limitation on the freedom of men in all their economic and industrial activities. Land monopoly, transportation monopoly and credit monopoly decree that other classes must work for and serve the owning classes. There can be no freedom with these basic agencies in private hands.

America accepted the British interpretation of nature's laws and made it her own. We sanctioned the British laws of property and commanded the state to keep hands off of our economic life. We too turned the land, the resources, transportation and credit over to private control and then appealed to the struggle for existence in which inequality of opportunity was ordained from the start.

Nature recognizes no such economic priorities. Nature recognizes only one law and that is the ownership of wealth by the labor that produces it. Nature sanctions equality of opportunity. The real law of nature is a fair field and no law-made favors.

THE ARTIFICIAL STATE

Man has not only violated nature's laws of property; he has violated nature's laws in our social relations as well. We have created a highly artificial political state. It is highly centralized; difficult of operation, and so distant from the people

that they cannot control it. A natural society is a local society. It should be simple rather than complex. It should be part of our everyday life and be lodged in the hands of the producing classes. Yet the reverse is true. The state is in the hands of lawyers, editors, bankers. It should be in the hands of farmers, workers, engineers, builders. The state is not adjusted to the needs of those classes who should control the evolution of society. The state is so complicated that it cannot be used by the mass of the people. It can only be used by privileged groups.

THE INDUSTRIAL STATE

A natural state would disappear into the industrial state. It would be part of our everyday life. It would aid wealth production, wealth distribution and promote the cultural life of the people. We should be as unconscious of the political state as we are of the human body.

There is no more reason for a dual state, for the political state superimposed upon the industrial state, than there was for the ecclesiastical state superimposed upon the political state. The ecclesiastical state has passed away. The political state should be integrated with the industrial state, and with the everyday activities of the people.

The imperial state in Russia broke down not because of the revolution alone. It broke down because it was in collapse. It ceased to serve the most

elementary needs of the people. It was directed by a small group, for the most part ignorant and indifferent to anything save their selfish class interests. They thought of the state only as a means of enriching themselves and of protecting themselves through the political power which they enjoyed. There was little local autonomy, practically no self-government. Finally the state ceased to function. It died not because of the revolution, but because of its own inertia.

The same is true of the centralized Parliamentary governments of Great Britain and of France. This was obvious at the Paris Peace Conference. The rulers of the world were helpless; helpless to solve the big industrial and social problems which confronted them. They were equally helpless to direct imperial problems. They met the situation by the creation of more privileges, privileges of a financial sort, of an economic sort. They attempted to recall the closed state of the seventeenth century. The political state has broken down as a result of the war.

CHAPTER XVIII

RUSSIA

ONE need not accept the Russian revolution or the methods employed by its leaders, to see in the soviet organization of government the most nearly natural organization of society the world has ever known. The local community is the center of the people's life. There is no fixed and inelastic constitution to interfere with the will of the community at every turn. The soviet is substantially autonomous. It can do pretty much as it pleases. It can own things and operate things. Most important of all it is organized as an industrial agency, representation in the soviet being according to professions, trades, industries. The government is industrial; it is local; it reflects the social needs of the people. When the imperial government broke down, the peasants devised a biological society. They quite naturally organized a state suited to their daily needs. They adjusted it to getting food and fuel, to dividing up the land, to providing such protection as was needed. They did as men naturally do in emergencies. They created a society

of equal opportunity. It is impossible to create special privileges in such a simple, local organization. For special privileges are only created under a government that cannot be controlled by the people; they are usually created under distant parliamentary forms and by means which the people cannot understand.

The Russian soviet shook the exploiting classes off the backs of the people. It tested each man by his usefulness. The peasant could see no reason why he should turn over a large part of what he produced to an idle landlord living in Petrograd or Moscow. He could see no reason for supporting himself and another person as well. Quite naturally he decided to work for himself. He stopped paying rent.

The coöperative movement came into existence quite naturally in such a society. There was need of exchange and distribution. But the peasants were unwilling to pay some one else to perform these functions when they could do them for themselves. So they organized coöperative societies for buying, selling and distributing; they organized their own banks and credit agencies; they used their own money for their own needs.

The same thing took place in the mines and the factories. The workingmen decided to run them themselves. They wanted to get rid of interest and profits. And they sought to adjust industry, highly complex though it is, to a natural order in

which men owned their tools and controlled their own life, as did the peasants in the fields.

The industrial life of the community was merged with the political. The duality of society came to an end. The political institutions became part of the economic institutions. Both were operated by the producing classes. The exploiting groups disappeared. There was no one who was willing to support them, no one willing to pay rent or profits. And when rent and profits disappeared, the political power of the aristocracy came to an end.

ENDING IMPERIALISM

The central government at Moscow shifted from one group to another until it became a government that reflected the producing classes. And as it was responsive to the local soviets it too evolved a natural order of society. It abolished all kinds of privileges; it took over the banks, the mines, and the forests. It ended secret diplomacy. It ended imperialism. It returned Persia to the Persians and Manchuria to the Chinese. The government could not do otherwise. For the government was a government of producers. It had no interest in conquest. As soon as economic privilege came to an end, imperialism came to an end also. The peasants had all the land they could work in their own little villages; the artisan could not work at home and in some distant land as well. There was nothing to be gained from ruling other people.

The state was interested only in the peasant and the worker. It had no interest in other peasants' lands. It was not idealism alone that led Russia to renounce conquest. It was an economic system that made imperialism impossible. Other people's lands were a liability; they were a burden; they yielded no return; they involved heavy naval and military expenditure. Imperialism fell with the fall of the old idea of the state. The old state was like a pyramid inverted. When it toppled over and was re-erected on the new basis, the old ambitions of the imperialist state passed away.

A BIOLOGICAL STATE

The Russian state is as nearly a biological state as anything the world has known. Men hold only as much land as they can cultivate. This is the law of nature. Equality of opportunity has become the rule of life. The taking over of the tools by the workers is a back to nature movement. Men now live without asking permission from some other man to do so. Industrial freedom has taken the place of industrial feudalism. Russia is an approximation of the philosophy of Rousseau and the French philosophers who believed that a natural society should be a free society, free from privileges in any form.

The Russian revolution like all revolutions is a protest against overhead charges. It is a revolution against unjust taxes, against ground rent,

against the exactions of capital. Like the French revolution it was an economic revolution. It threw off the feudal system. The Irish revolution is a land revolution. It is a protest against the economic control of Irish life by English land owners and English business men. For a large part of the land in Ireland is still owned by alien landlords while its commercial life is under the control of British capital.

All over Europe the revolutions of the past two years have been revolutions against the overhead charges of taxes, rent and profits, against an artificial state used by the few for the exploitation of the many.

And stripped of accessories, the outstanding fact of revolutionary Europe is that men are now working for themselves. They no longer work for landlords, for capitalists. They keep what they produce. The power of the aristocracy ceased when it lost its land. The same is true of the bourgeoisie. Their political power collapsed when their profits were taken away. The new state had to rely on the talent of the working classes. It had to build a producers' society. And there was only one class to which it could appeal.

ECONOMIC FOUNDATIONS OF POLITICS

Contemporary Europe presents a demonstration of the economic foundations of politics. It shows that the political state mirrors the economic state.

The prevailing economy in Eastern Europe to-day is peasant proprietorship; the prevailing political system reflects such proprietorship. The soviet reflects the village and the needs of the village. The imperial idea of the state could only live with landlordism and capitalism. It came to an end when capitalism came to an end. The revolution in Russia freed 180,000,000 people from rent, profit and interest. Much more important, it freed them from fear, it awakened hope, it called forth invention, it ended sabotage. It made people free from any one but themselves.

It may be that attack from without and counter revolution from within have recreated the centralized state; it may be that personal liberty is again under political censorship and control; it may be that Russia will fail in its attempt to rear a new society. It may be that a single nation cannot inaugurate a new society on such ideals with the world arrayed against it. It is possible that authority may shift again from the local units to Moscow and that ambitious men may acquire military or political power. It may be that the workers and peasants of Russia, of whom a very large per cent. cannot read or write, have been kept in ignorance and suppression for so long, that there is not sufficient courage or intelligence to build a new society. But if failure should come it should not be ascribed to the ideals that animated the revolution, it should not be attributed to the attempt to call into being a natural

society; rather it should be charged to the old régime that all but destroyed the nation by its abuses, its incompetence and most important of all by its intolerance of intellectual freedom. This and the organized imperialism of France and Great Britain, aided and abetted by the United States, are the primary causes of conditions in Eastern Europe, whose crime is a desire for a better society in which privileges of all kinds shall be banished from the earth and men shall be permitted to use their powers in their own way and to keep the wealth which their labor produces. This is the crime of revolutionary Europe.

CHAPTER XIX

FREEDOM

IF the preceding analysis of society is correct, it is imperative that means be found to reverse the tendencies that are shaping our civilization and possibly bringing on decay. These changes must be fundamental. They must cut deeper than criminal proceedings against the individual man, regulatory commissions, or palliatives that seek to preserve existing institutions but protect us from their excesses. The changes must be economic not personal. They must alter the economic structure of society. If society is to progress and civilization is to advance we must find some means to:

(1) Reduce the burden of overhead of taxes, ground rent and profits that now appropriate a great part of the wealth produced.

(2) Release labor from the wages relationship that is paralyzing initiative and destroying hope, and in so doing, is sabotaging the productive powers of the nation.

(3) Free the land and the natural resources from private control, and open them up to access

by capital and labor on the farm, in the city, and in the mine. Access to the source of all life is the first necessity of a free society.

(4) Free the railways and waterways from the power of monopoly interests to restrict production and maintain control over our industrial life.

(5) Convert the banking and credit resources of the country into public or coöperative agencies; into agencies to stimulate the productive powers of society.

(6) Create such conditions that men will find their proper employment and use their talents willingly, hopefully, and imaginatively in contributing to the economic, political and cultural life of the state.

These are the conditions that should inhere in a free society; a natural society. These conditions have existed in the past. They have been interfered with by privilege; for the most part by law-made privilege. Society is enmeshed, much as it was in the old régime by conditions of its own makings. It is denied an opportunity to function freely and naturally in its social and economic activities.

THE ALTERNATIVE TO PRIVILEGE

The alternative to privilege is freedom in all the relations of life. Freedom is nature's order. It is the order of all primitive societies; it was the order that prevailed in America for two hundred years. It was this that made us what we are.

Freedom involves but little interference by the state with the individual or with industry. It involves access to opportunities of all kinds. It is primarily economic. Freedom means the ending of the strangle-hold which the laws of the land have conferred upon the few. Freedom will open up opportunities to initiative and talent. It will release trade, commerce and productive processes from restraints by the state. Freedom involves free trade between nations as well as between the forty-eight states of the union.

Freedom involves the enactment of but a few laws. These laws relate to land, to transportation, to credit, and in a lesser way to patents. It is about these basic privileges that the present-day evils inhere. With these privileges ended, freedom would come in. It would change all relations of life, economic, political and social. The ending of privilege would call a new class into politics; a producers' class. It could change the press. It too would reflect the economic foundations of a free society. The universities and the schools would mirror the new economic relationships, just as today they mirror the privileged society which controls the state. Our cultural life would respond to this release, as would the talents and initiative of the people.

This is the kind of society that prevailed in America up to about 1880. It was a free society, a pro-

ducers' society. Men did not rely on the state. They relied on themselves. There were few law-made privileges, and our political and economic life was almost exclusively in the hands of the producing classes. There are some survivals of free industry to-day. We see it in the dollar watch, in the cheap automobile. No patents, grants or privileges interfere with the free play of these industries. Prices are low. Production is at a maximum. There is real competition. It is true the wages system prevails; there is still price control. But this is because only a few industries are involved, and the basic privileges of land monopoly, of transportation, of credit, and of taxation are still under private control. But at least we see the possibilities of industrial freedom and the effect upon the genius and talent of the people when freedom has a chance to play.

INVITATIONS TO A FREE SOCIETY

The legislative changes involved in freedom are few in number. They fall within four groups. They are:

(1) The taxation of land values and the resources of the earth so as to force them into use and their most efficient use.

(2) The socialization of transportation and the means of communication.

(3) The dedication of banking and credit exclu-

sively to production, and the decentralization of control from the money centers back to the producing groups.

(4) Democracy in industry and the participation of labor in the processes of production. Guild Socialism, coöperation, and labor partnership are suggestions for releasing the resourcefulness of the worker and for enlisting his interest, his enthusiasm, and his ambition in his employment.

These proposals look to a new kind of liberty. They propose but little reliance upon the state. They involve no bureaucratic organization of society. They minimize the political state, rather than exalt it. They look to a revival of the individual man; and to the free play of man's ingenuity on the resources and capital of society.

These proposals, too, are in harmony with what we know of nature's laws. They are biological rather than artificial. They suggest a return to the early traditions of America; to the time when man controlled his economic environment and shaped his life with his own hands. He was not then a part of a machine. He controlled the machine. He was inspired by hope. He enjoyed all the wealth that his labor produced, unexploited by political and economic agencies which he did not control.

These economic changes would usher in a social revolution without the use of force. They would create a new society in a few years' time. Wealth would be more equitably distributed. There would

be more to distribute while the overhead of interest, profit and rents would be retained by the producing classes. In time labor would receive all that labor produced. The farmer would receive what he produced. So would the artist and the professional man. So would the merchant and the manufacturer, the inventor and the engineer. The Edison and the Ford would be rewarded in a free society as they are to-day. Under natural conditions men would receive all the wealth that their mind or their hand produced. They would receive it without diminution by taxation or otherwise. They would be permitted to use it without interference by the state.

The changes suggested involve no reorganization of society. They involve no complicated system of laws or administrative decrees. Rather they involve the repeal of the laws that privilege has enacted so as to permit the laws of nature to play freely on the opportunities and resources of the earth. With land and labor free, with credit dedicated to productive uses, with transportation open to all on equal terms, with patents, franchises and other grants opened up to use, then the advances, the inventions, the discoveries of civilization would contribute to the well being of man. Then science would be man's servant; then the machine would relieve him of labor. Then the mind of man would be free to play on the possibilities of life as it never has before in the history of man.

CHAPTER XX

THE FIRST STEP

Is it a good thing that men should be permitted to hold land and refuse to use it? Is it a wise arrangement for millions of acres to be held in great feudal estates? Should human beings be herded in slums with building sites in abundance close by in the suburbs? Is there any justification for speculation in land as a result of which men go hungry and live close crowded in one, two and three-room tenements?

What can be said of an economic system that permits the iron ore deposits of Minnesota, which a few years ago were worthless lands, to be capitalized at \$800,000,000 and held by a single corporation, when iron ore is basic to the civilization in which we live? What can be urged in defense of the ownership of practically all of the anthracite coal of the country by four railroads, and the control of much of the bituminous coal by railroads, mining corporations and individuals who sabotage production and limit the output? Is greater unwisdom possible than the rule we have adopted for the

disposition of our land and mineral and lumber resources?

MAN'S RELATIONSHIP TO OPPORTUNITY

What should be the rule of man's relationship to the resources of the earth? Should he own as much as he can seize, irrespective of whether he uses it or permits it to lie idle? Or is there some other sanction of title, a sanction that satisfies divine law, natural law and a properly ordered society as well?

The first act of the peasants in the revolutions that swept over Central Europe was the appropriation of the great estates and the distribution of the land among the people. This was the first step in the French Revolution of a hundred and thirty years ago. In every revolutionary upheaval of Europe the peasants took the land and distributed it among themselves. They refused longer to pay rent or to work as serfs on another man's land. The principle followed in the redistribution of land was to give a man as much as he could cultivate. He could have no more than he could himself use. Title was sanctioned by use alone.]

TAXATION A MEANS TO INDUSTRIAL FREEDOM

America is not likely to adopt revolutionary methods in dealing with the land question. We are too long trained to political action. Our traditions are those of orderly evolution. And land monopoly can be corrected by orderly processes. The re-

sources of the earth can be opened up by taxation; by the taxation of land values. This can be accomplished by the repeal of all indirect taxes, both customs and excise, as well as all taxes on houses, buildings, improvements, and personal property, and the placing of all taxes, federal, state and local on land. Speculation in land would then be impossible. The burden of taxation would end land monopoly and open up land for use. It would absorb ground rent. This does not mean that 10,000 acres of farming land in Kansas or Iowa would pay the same taxes as 10,000 acres in the metropolis of New York. Land would be taxed at its selling value. The land underlying New York is assessed at over \$5,000,000,000. It yields \$250,000,000 in ground rents. The mineral resources (coal, iron ore, oil, natural gas, copper, gold and other deposits) would also be assessed at their capital value. Suburban building land would be assessed at its value. Upon the valuation so made a direct tax would be levied to meet the needs of society.

It would be assessed upon the actual value of the land irrespective of improvements. Opportunity, not effort, would be taxed. This would end idle land speculation. It would compel men to use their land or sell it. Society would say that the only title to land was a title based on use. Men could only sleep on their opportunities by paying for the privilege. They could not hold resources for their children or their children's children; they could not wait

for population to grow about their land and by so doing increase their wealth while they idled their time in some distant pleasure resort.

Under this proposal men would have three alternatives: They could cultivate their land or build upon it; they could hire labor to cultivate it or build upon it; or they could sell their land to some one else to cultivate or build upon it. The same would be true of all mineral resources. Under any circumstances land would be taxed into use. It would be impossible to hold it idle. Men would have to use their holdings or dispose of them.

OPENING UP A CONTINENT

Under such an impulse great quantities of land would seek buyers, just as millions of ancestral acres of land in England have been broken up into small holdings as a result of the death duties imposed during the war; just as land in Australia has been divided among proprietors by increasing the land tax. A land values tax would automatically distribute land to those who desired to use it. It would open up building sites in the cities, suburban sites, mines, oil land, and all kinds of mineral land as well. In time the land of America would call for labor. It would lure men from the cities. Men could then own a farm of their own. There would be opportunities like a newly discovered continent.

With land seeking men, men would be freed. No one need work for another if he chose to work for

himself. With taxes removed from houses and improvements, there would be a stimulus to build, an encouragement to industry, a cheapening of the products of labor. With the increase in wealth production which would follow, and its freedom from taxes, prices would fall. Under these conditions a man could not slack upon the land. He could not slack on mines, standing timber, or other resources.

Here is a natural means for ending sabotage of the land. Here is a natural means of ending feudalism, and for converting every man into a free citizen. Here is a means of creating unlimited opportunities for labor. The mere existence of opportunity frees a man from the wage relationship. The man who can work for himself is never a wage slave. He has a sense of freedom, a sense of power. He can work for himself or for some other man. The labor shortage due to the stoppage of immigration has demonstrated that.

The taxation of mineral sites would have the same effect. It would no longer be possible to hold anthracite and bituminous coal out of use. Coal deposits would have to be worked to pay the taxes. Oil land could not be held idle. Nor could timber land. The basic monopolies would be broken by this procedure. Moreover they would be opened up to use. Coal-mining, oil drilling, and the production of all kinds of raw materials would be subject to competition. The cost to the consumer would be fixed by labor cost and capital cost rather than by

a scarcity cost which is now possible because of the close monopoly of these resources.

THE NEW FREEDOM

Freedom, mental as well as economic, would be the great gain from the change. It would react upon the mind of America. It would enable men to be home-owners instead of tenants. Home-owners have always been free men. It is this that lies back of the democracy of France. It is this that explains the democracy of Denmark. It is this that gave birth to the new Irish movement, just as it is this that has made Australia and New Zealand the democratic countries that they are. Democracy, both economic and intellectual, is traceable to the relation of the people to economic opportunities and especially to the land. No people has ever been free that was a tenant people. They were not free in Russia, nor in feudal Prussia, any more than they were free in feudal France before the Revolution. And we need only go out to Texas, to Oklahoma and to other sections of the West, where tenancy has become a system, to find the same economic, social and intellectual conditions appearing that prevailed in Europe under the feudal system.

INDUSTRIAL DEMOCRACY

With the land free industrial democracy would come in as a matter of course. The employer would have to recognize the spiritual as well as the eco-

conomic demands of the worker. Labor's standard of living would be determined by the free men, not the subject men. This is what always happens when there are more jobs than men seeking jobs. Under free conditions the employer would have to make terms with the worker. And these terms would carry with them a freedom and a participation in industry on the part of the employee that is not possible when opportunities are limited and closed by the owning classes.

The production of wealth would be stimulated in such a free society. Taxation of land value would stimulate industry. Men would have to produce to meet the demands of the tax-gatherer. Quite as important, the cost of many commodities would fall. The heavy overhead of indirect taxes running into the billions would be taken off wealth and consumption, and would fall upon land values. And all economists are agreed that taxes on land values remain where they are placed. They cannot be shifted. They reduce the ground rent of the owner but they do not increase prices. All industry, all commodities, all services, all incomes, would then be freed from taxation, as would all articles of consumption.

Freedom to use the resources of the earth is the first step in industrial democracy. It is basic to all others.

CHAPTER XXI

FREE COMMUNICATION

IN the congressional discussion of the railroad question the Railroad Brotherhoods alone offered a proposal that suggested a properly organized transportation system. The measure fathered by them known as the Plumb plan provided for purchase and permanent ownership of the railroads by the government and their operation by a corporation, made up of five representatives of the public appointed by the President, five representatives chosen from the official groups to represent executive and engineering experience and five representatives selected by the classified employees. This board was directed to merge the railroads into a single system, to unify water and rail transport and to develop trucking so as to make deliveries from the producer to the consumer.

The profit-making motive was to be eliminated from operation. The plan provided for a fixed return on the capital investment and the distribution of surplus earnings over and above operating costs and fixed charges to the Government and the em-

ployees on a fixed scale. There were provisions for wage boards to adjust wages controversies while the Inter-state Commerce Commission was given control of rates and charges.

This was the first proposal of organized labor for an assumption of responsibility in industry. It was America's interpretation of industrial democracy or Guild Socialism. The measure treated capital as entitled to only a fixed return. It placed the control of transportation in the hands of those most concerned over it, to wit, the public as consumers, the workers as producers, and the professional talent as entrepreneur. Quite as important, the measure offered a plan for calling into the industry the talent of two million employees, the dedication of the transportation agencies to the production of wealth and its cheap and rapid distribution as well.

Congress showed little interest in any of these considerations. The transportation act provided a guarantee of dividends; protection to security holders and opportunities for waste and exploitation. It contained few provisions for a system of transportation such as is found in other countries, or even for such a system as was developed under government control.

THE FUNCTION OF TRANSPORTATION

A properly conceived transportation program would look upon the railroads as agencies of service, rather than of profit. Their function is to trans-

port goods and persons at a minimum cost. So administered transportation would become a great agency of industrial and cultural development. Population could be distributed out into the country as an aid to the housing problem. The railroads can remake city life. But the most important service is the development of the country. The railroads should stand at every man's door inviting him to produce to the fullest with an assurance that his produce will find a market. They should discourage the long haul and promote the short haul. They should build up agriculture about our cities rather than thousands of miles away. They should promote home markets rather than distant markets. They should localize industry rather than distribute it. They should develop water ways, harbors and terminals. They should use the water power of the country not only for the railroads but for industry and domestic use.

RAILROAD POLICIES OF OTHER COUNTRIES

We get a suggestion of what a socially organized transportation system can accomplish from countries where the railroads are operated by the Government. This is true of every country in Europe where government operation prevails. The industrial development of Germany was largely traceable to the highly developed system of water and rail transport. The manufacturer, trader and farmer had free, equal and cheap transportation not only to every part of

the Empire but to every part of the world. The railroads were operated to promote the productive resources of the country. This was the policy of the German railways from the time they were taken over in the eighties down to the outbreak of the war.

No other agency contributed more to the upbuilding of the Empire than the state owned railroads. Their administration was decentralized. Every chamber of commerce, every agricultural association was in sympathetic contact with the central administration. They looked after local industries. They formulated local rates and charges. If a mine or an industry needed encouragement, low freight rates were granted to enable it to get on its feet. When Germany determined to have a merchant marine of her own, the railroads hauled coal, steel and lumber to the shipbuilding plants at a low cost. Food was carried from the eastern provinces to the industrial sections of western Germany at favorable rates, while the shipper engaged in foreign trade received preferential rates to enable him to meet the competition of other countries. Often goods were hauled below cost to develop an industry or a section of the country.

The rivers, harbors and canals were developed. The finest water terminals in Europe are found on the Baltic, the North Sea, and along the River Rhine from Duisberg to Mannheim. They are equipped with marvelous docking and trans-shipment facilities. These harbor terminals are linked with the

railroads in such a way as to encourage both rail and water transportation. Upwards of \$250,000,000 has been spent by Prussia alone for the development of her waterways in spite of the fact that the waterways competed with the railroads.

AUSTRALIA

Australia uses her state owned railroads in the same way. To encourage agriculture, cheap rates are made upon farm machinery, on fertilizers, on building materials. The farmer's produce is handled for him at a minimum cost. The railway station agent performs the functions performed in this country by a score of middlemen. He receives a consignment of a dozen chickens, a thousand head of cattle, or a carload of wheat and gives a receipt for them which can be used by the farmer to secure a loan at the bank. Upon delivery to the station agent, the farmer's concern is at an end. Poultry, sheep, cattle, wheat are shipped to the seaboard; there cattle are killed and cold-stored by the state in a state owned slaughter-house. Wheat, oats and other produce are warehoused in the same way. Ultimately a cargo is made up and shipped to London on a state chartered steamer, so that food supplies, hides and wool from central Australia are deposited in England and there sold by representatives of the Government without the intervention of any middleman whatsoever. The railways are agencies of nation building rather than of profit making.

DENMARK AND SWITZERLAND

Little Denmark operates her railroads to develop her markets with England and Germany. They are run at a low scale of freight and passenger rates. The official policy is to use the railroads to promote industry, to develop commerce, to make the nation rather than railroad owners prosperous.

Switzerland is substituting the white coal of the Alps for the black coal of Germany in the operation of her railroads. The Rhine and the Rhone have been harnessed by great hydro-electric power stations which generate power at a very low cost. A part of the power is used for the operation of the railroads while the surplus is used for industry, the lighting of streets and country roads and even for serving the peasants in their homes and on their farms. All this has been done since the railroads were taken over by the government. Bavaria and Norway have electro-equipped their railroads while Italy is planning a similar development to free the country from dependence on the coal supply of other countries. It is to the profit of the railroads in the United States to refuse to develop electric power, for the railroads are the largest buyers of coal in the country. Their fuel bill amounts to at least \$450,000,000 a year. As the railroads buy coal from companies owned or controlled by the stockholders of the railroads, and as they would lose their best market by the use of water power, such a de-

velopment will never be made so long as the railroads are in private hands.

THE NEED OF A COMPREHENSIVE TRANSPORTATION PROGRAM

America is in need of a nation-wide transportation program. Transportation should be studied from the point of view of the producing and consuming classes rather than of the financiers and security holders. There should be a study of what has been done in other countries, of the gains from unification of competing railroads, terminals and operating agencies. Water transportation and trucking should be treated as a coördinate part of rail transportation. Such questions as the long and short haul, the needless cross hauls and empty hauls due to the maintenance of competing systems should be inquired into. Efforts should be made to simplify freight classifications as well as to adjust rates and charges to the needs of industry and the stimulation of travel. The waste involved in the maintenance of several hundred different railroads with their thousands of useless officials and worse than useless competition should be ended and the equipment of the roads should be merged under a single system. The same is true of terminals, shops, motive power, cars and harbors. The advantages of such a merger was shown during the period of government operation. The cost to the country from the maintenance of needless officials and equip-

ment runs into the hundreds of millions of dollars annually while the loss to the country in inadequate transportation amounts to as many millions more.

DIVORCE THE RAILROADS FROM BANKING CONTROL

Most important of all railroading should be divorced from banking management. Transportation should be in the hands of engineers and experts rather than in the hands of money lenders. It should be divorced from coal mining, from intimacy with the trusts and monopolies, from the community of interest that now prevails through banking control. It is not so much the tribute the railroads take; it is the wealth that they destroy that is so costly. Every manufacturer, every independent coal operator, every independent packer and warehouseman lives in fear of discrimination or inability to secure service. It is this that is checking production as it is destroying agriculture.

The railroads are sabotaging the life of the nation. They are progressively reducing the production of wealth. As they exercise a powerful control over the press and Congress these facts are but little known. They are given no publicity. Chambers of Commerce and shippers dare not complain and such organizations as do protest receive but scant notice and are lacking in influence. There can be no real freedom to the economic life of any country so long as the means of transportation are in private hands.

CHAPTER XXII

FREE CREDIT

CREDIT should enable those who possess no capital to secure capital. It should be an agency to aid men of resource, of ability, of integrity, to obtain tools, machines and materials so that they can use their labor most effectively. Credit should be an agency of production alone. Its control should be in the hands of the producing classes. Its proper function is to convert wealth into new forms, to change the wealth a man does not want into wealth that he does want. It should translate immobile values into liquid values. Credit should carry the wheat of the Dakotas to their markets in New York and in Liverpool. It should exchange wheat and cattle for other commodities that the farmer wants. What is quite as important, it should enable the man without means to acquire a home, a farm, to start a business, to build a factory. These are the functions of credit. Credit like transportation should be a social agency. It should be impressed with a public use.

THE SOCIAL NATURE OF BANKING AND CREDIT

Credit should be a by-product of our economic life. It should function as does our circulatory sys-

tem, not as a thing by itself, but as a life-giving force to production, distribution and exchange.

Banking should be largely a clerical operation; a means of testing men's integrity and character; of passing upon the value of securities and of bringing economic groups and interests together in the easiest and least expensive way.

The banks and credit agencies performed these functions in the early days of the country. They were local, neighborhood affairs. They ceased to be this in the closing years of the last century. They were converted into means of exploitation and are now used very largely to strengthen the exploiting groups.

There are many ways for socializing banking and credit to make them agencies of social service.

PUBLIC BANKS

Banking and credit are partially public agencies in Australia and North Dakota. The Commonwealth Bank of Australia is a state-owned bank. It was organized to protect the farmers from extortion and to provide adequate and cheap credit for development purposes.

North Dakota has established a state bank with a capital of \$2,000,000. It is the legal depository of the state, of the cities, counties and school districts. It was opened for business in July, 1919. By December its resources amounted to \$17,000,000. It has made very substantial earnings. It is oper-

ated like a private bank, but with the sole aim of developing farming and the industrial life of the state. It loans money to the farmers and has cut down interest rates by at least $2\frac{1}{2}$ per cent. over rates previously paid. Farm loans are made on a long-time amortization plan. The borrower pays 7 per cent. on the original amount of the loan, of which 6 per cent. is interest, and the balance is used to liquidate the principal in about 34 years.

The bank is also the depository of private banks in the state, of which over 600 have opened accounts with it. It is the clearing house of other institutions and has effected a great saving in exchange rates. The bank re-deposits its funds with local banks whose transactions are subject to its supervision in so far as interest rates are concerned.

The enacting clause of the measure creating the bank describes it as an institution "for the purpose of encouraging and promoting agriculture, commerce and industry." Its original capital was derived from the sale of \$2,000,000 of bonds issued by the state, while the bulk of its deposits are those of civil divisions of the state which are required to make it their depository. The state itself guarantees all the deposits. It exempts them from state, county and local taxes.

There is no inherent reason why banking should not be a public function. Banking is not a complicated business. It is relatively simple. For the banker himself fixes the terms of his transactions.

He determines the interest paid depositors, as well as the interest paid by borrowers. He also passes on the security he requires. The negligible losses in the tens of thousands of coöperative banks that exist all over Europe operated by peasants and workers is suggestive of the simplicity and safety of banking operations.

COÖPERATIVE BANKING

Coöperative banking is the second means of mobilizing the resources of the country for use by the producers. And coöperative banking has been developed to a remarkable degree during the last 50 years. The coöperative banking institutions of Europe are known as credit unions or people's banks. They have followed the lines laid down by the original Raiffeisen and Schulze-Delitzsch banks, which originated in Germany about 70 years ago. The Raiffeisen banks are designed to aid the peasants, especially the small peasants who were unable to secure credit from the banks. The Schulze-Delitzsch banks were designed to aid the artisans. Both systems have spread all over Europe, especially into Italy, France, Russia and Austria-Hungary.

The credit unions consist of groups of neighbors who live within the same community, or of workers in a trade union who place their savings with one of their number as treasurer. The sums deposited by individuals are not very large, but the aggregate deposits are sufficient to care for the loans required

within the community. Loans are made in small amounts. They must be used exclusively for productive purposes, such as the purchase of cattle or machinery. In the workers' banks they are used to aid men to buy tools, for sickness or an emergency. The loans are covered by notes which are endorsed by one or more persons. The loan is repaid in installments, usually covering a short period of time, although loans are made for long periods under amortization plans. Unlike other banks, a man's moral character figures largely in the making of the loan. That is known to his neighbors. If he is not thrifty, if he is not a good farmer, he does not secure the loan. And after he has secured it, he is watched over by his neighbors, who see to it that he spends the money as he promised to spend it; that he uses his credit wisely, and that he repays it when he agrees to do so. The object of these banks is to aid men without capital. It is a means of increasing the efficiency of the man who has nothing to sell but his labor.

The first of these banks was started about 1850. Latterly they have been growing with great rapidity. There were 16,000 Raiffeisen banks in Germany in 1913, with a combined capital of \$650,000,000. There were 65,000 such banks in Europe and about 5,000 in Japan. The total turnover in 1910 of all these people's banks was \$5,900,000,000. Their losses were negligible.

As these banks grew in number they federated into

regular banking institutions with headquarters in the cities. These central banks hold the deposits of the credit unions and made loans back to them for local use. The central banks are controlled by the local credit unions and through them the resources of the peasants and the workers are mobilized so that they can be used wherever needed.

The credit union has been developed in Canada, where 300 banks have been organized. Not one of them had lost a penny up to 1914. The states of Massachusetts, Rhode Island, New York, North and South Carolina, Texas, Wisconsin, Utah and Oregon have credit union laws, and in Massachusetts and New York they are growing with great rapidity.

THE NECESSITY FOR NEW BANKING METHODS

Public banks, the coöperative bank, and the credit union, are suggestive of the kind of institutions which should control all credit. Credit should be impressed with a public use. It should be a public service, not a private business. The money of the people should be used to serve the people. This is one of the first needs of a free society. Along with the land, it is the most imperative need, if we would release the productive powers of the country.

There must in fact be a revolution in banking and credit. For our credit resources are used very largely for exploiting purposes. Control is concentrated in New York, Chicago, Minneapolis. Much

of our credit is used for stock-gambling, for food gambling, for speculation of all kinds.

There can be no release of our productive powers until the reservoirs of credit have been placed under social control or control by the producing classes and by them dedicated exclusively to their proper function. Credit should go out to the farmer, to the worker, to the manufacturer. It should supply tools and machinery to the man of character, and enable him to get started in the world. It should build homes, enable men to buy farms, and develop the neglected talent of the nation. New mines should be opened up, and the labor, and resources of the country should be brought together in the coöperative production and distribution of wealth. Credit must be given a social sanction. Our banking agencies must be impressed with a public trust.

CHAPTER XXIII

INDUSTRIAL DEMOCRACY

A SURVEY of the revolutionary movements taking place all over Europe show a universal drift in the direction of industrial democracy. The widespread acceptance of the idea and the assurance of the workers in Russia, Great Britain and Italy, suggests the universality of the idea as well as the rapidity with which labor is rising to economic if not to political power. The workers are ignoring the political state. They are losing confidence in it. They feel that it does not represent them and cannot be made to do so. They have turned to the industrial state and are seeking to build a structure of their own that they more readily understand.

In a large part of Europe there is either revolution or the preliminaries of revolution. These revolutions are economic. They are born of injustice and the exactions as well as the incompetence of the ruling classes. They are an attempt to be free from rent, interest, profits and taxes. The workers and peasants seek to be rid of the landlord and the capitalist. In its essence revolution is an effort to

throw off the age long privileges which interfere at every turn with the freedom of the individual man.

REVOLUTIONARY EUROPE

In Russia we have a communistic state in which the peasants and workers own the land, the factories and the tools. They adopted industrial as opposed to political action. They took the property as well as the privileges of the ruling class and have undertaken a syndicalistic organization of society along industrial lines. In Italy the revolutionary movement has been growing in power during the past six months. It has followed Russian methods. The workers, who had been locked out by the employers in anticipation of a general strike, took possession of the mills and factories. They organized their own operating staffs and secured credit from the cooperative banks which they control. They sent the output of the mills to the coöperative stores and wholesales. The Italian workers ignored the political state and adopted methods with which they are familiar in their labor unions and through the coöperative societies which have been developed in great numbers both during and prior to the war. Similar movements are developing in France, as they are in Great Britain.

We are living in a new world, with new forces fermenting in men's minds. The political state either cannot or will not face conditions until it is too late. Possibly the state cannot face them. No individual

and no class will give up its privileges. Fear leads to efforts to strengthen them. The recently enacted railroad bill, the resentment of the banks to any attempt to provide credit for farmers and home builders, the attitude of the profiteering class and the intolerance of the press and Department of Justice toward any criticism or protest are manifestations of the same spirit that preceded the Revolution in France a hundred years ago, just as it manifested itself in the countries of Europe that are now in a state of convulsion. Privilege learns nothing from the past. It relies on force and encircles its possessions with machine guns and constabulary.

Despite the revolutionary tendencies in the world to-day, democracy in America will undoubtedly rely on the ballot for a long time to come. The Non-Partisan League of the Northwest, the political insurgency of Wisconsin and the Pacific Coast, the rapidly growing coöperative movement and the development of political consciousness on the part of labor are all evidences of a deep seated belief in the possibilities of political action as a means of orderly economic evolution. We have no heritage of ignorance and feudalism. We are accustomed to freedom and to the ballot. And the conditions under which we suffer can be changed by the state, once the state becomes an agency of the class that produces rather than the class that exploits.

A PHILOSOPHY OF FREEDOM

A revolutionized society is possible that avoids socialism on the one hand and communistic syndicalism on the other. It can be brought about by few changes and by a very few laws. It involves no regimentation of society and little interference with personal liberty. Rather it protests against such interference as it does against the enlargement of governmental powers. It involves no dictatorship by a class and no violent change in the existing machinery of government. Such a society is possible by the economic changes enumerated in the preceding chapter. They would shift the burden of taxes from production onto privilege; they would end the burden of overhead from profits and ground rent by the destruction of the privileges which make them possible. They would destroy the major monopolies that control the lesser ones and recreate competition. They would free the worker from the wages relationship and end the sabotage that is slowly creeping into all industrial processes. They would usher in freedom and equality of opportunity. They would change politics and education. They would strike at the feudal control of society and end the conditions that make for decay. Most important of all they would reestablish our traditions of freedom and redistribute the wealth of the world to those who produce it.

All of the proposals referred to look to freedom, to freeing the land, to freeing the means of communication, to freeing credit, to freeing industry, to freedom in trade and most important of all to freeing the minds of men.

FREEDOM OF TRADE

A free society involves freedom of trade with other countries. It involves the razing of all customs barriers and the ending of the artificial conditions made possible by the tariff walls that encircle the country. The protective tariff destroys as many industries as it aids; it denies us the advantages of trade with other countries; it produces exotic industry and permits of the maintenance of numerous plants and industries that should never have been brought into existence. With free trade the trust would be forced to meet the competition of other countries; it would be forced to improve its processes; to introduce improvements, to better its product and to sell at a competitive price. Along with this the abolition of all customs taxes on consumption would reduce the overhead cost to the consumer who pays not only the taxes which reach the treasury but many times that amount in the additions that are made to prices by the monopoly charges that the tariff makes possible.

America of all countries should adopt free trade. We have the most highly organized industry, we have abundant raw materials, we have the most in-

telligent workmen and the highest per capita investment in machines and tools with which men work. Whatever may have been true a generation ago, there is no longer danger from the competition of European labor, save to those industries that are shielded behind the tariff wall and that use the power which it gives them to levy tribute on the public.

FREE MEN

With economic privileges destroyed all other relations of life would undergo a change. Economic power would be shifted. The center of gravity would pass from the few to the many. The psychology of society would change with the change in economic relations. Men would no longer fear for their jobs. They would no longer fear their master. The wages system would be modified or ended altogether. Men could so easily pass from one job to another or from working for some one else to working for themselves that the relations of master and man would be reversed. Employers would then seek workers. They would compete not only with each other but with the free land which would offer all men a home and a farm of their own. Industrial democracy or labor partnership would come in as a matter of course. Just as for centuries the master worked alongside of his employees and trained them to follow in his calling so in a free society a new kind of partnership or coöperative corporation would take the place of the capitalistic forms which now prevail.

All over Europe from the twelfth to the eighteenth centuries industry was organized on a coöperative basis. It was the most human and in many ways the most perfect form of industrial organization the world has ever known. It was the guild system that adorned Europe with cathedrals, with beautiful cities, with palaces and town halls that remain to this day the most splendid monuments of the old world. There was art and peace and content under the guild system before the private corporation and the monopoly of capital and credit changed the relations of men from one of fraternal comradeship to the impersonal thing it has become to-day.

COÖPERATIVE INDUSTRY

There is no reason to doubt the ability of the people to reëstablish industrial democracy or their capacity to organize successful coöperative undertakings for carrying on the business and industry of the world. The success of coöperation in Great Britain, in Denmark, Germany, Belgium, Russia and Italy, not to speak of other European countries demonstrates the ability of the people to develop an industrial state along coöperative as opposed to capitalistic lines. But we need not go to Europe for proof of the possibilities of coöperation. The farmers of Minnesota have organized and successfully manage 2,700 coöperative societies. They do an annual business of \$108,000,000 a year.

These societies include dairying, the making of cheese, the sale of live stock, telephones and stores of various kinds. The citrous fruit growers of California do an annual business of \$54,000,000 a year. The farmers of Wisconsin own 2,000 coöperative societies while in North Dakota, Nebraska, Kansas and all over the West the coöperative movement is rapidly superseding capitalistic control of staple farm produce. No single movement has grown with such rapidity since the war as coöperation. It has swept over central Europe while in Great Britain one person out of three is connected with one or more of the coöperative societies or is in some way benefitted by them.

The mind of man would change in a free society. Men would want to produce to capacity. There would be no reason for sabotage. There would be no strikes. For men do not strike against themselves. When men work for themselves they do not need a trade union. Industrial democracy would keep the trade union as a fraternal or insurance agency but it would not be needed as an agency of protection. Freedom to move to another employment is the only protection a man would need. Even the unorganized worker would be in a position of power.

CONCLUSION

It may seem incredible that such a transformation would follow the enactment of a half dozen laws or

that a revolution in all the relations of life can be ushered in without the striking of a blow or the violent overturn of the government. Yet any one who will honestly follow the effect of the proposals here made will admit their revolutionary consequences. The appropriation by taxation of all unearned increment which inheres in land, in mines and in forests would open up the continent to labor and capital. Hundreds of millions of acres would call for workers, for farmers, for miners, for home builders. The burden of ground rent would disappear and such rent as was collected would be turned into the public treasury. It would support all legitimate needs of the state and relieve us of all other taxes. With banking socialized and placed under public or coöperative control credit would be available to every man of talent who had character and physical strength to back up his loan.

Transportation is the only other economic agency necessary to free men in their economic relations and with it under public control the circulatory system of the nation would be opened to all on cheap and equal terms. There would then be no favored shippers, no rebates or discriminations. When to these are added the ending of patent monopolies and franchise monopolies and the opening of our ports to the trade of the world, the production and distribution of wealth will automatically settle to a competitive basis in which men will be impelled to do their best. Sab-

otage will come to an end with freedom. It will end in no other way.

With privilege ended the political state will become a less imposing thing than it is. It will become an agency of democracy. The exploiting classes will lose their power with the ending of the privileges on which they rely. Just as the old aristocracy of Europe came to an end when its landed estates were distributed, so the power of the privileged groups in America will pass away when their economic privileges are taken from them.

These proposals involve no impairment of property, no confiscation of wealth. They recognize the right of every man to all that his mind or his hand produces. They guard property more jealously than does the state under which we live.

Only privileges would be taken away,—the special privileges which are created by the political state. And privilege is not wealth. It is not the product of labor. It is the product of laws enacted by a class for its own enrichment. The overhead charges of society are the product of laws; of laws made by a ruling class. And these privileges are in derogation of property. They are responsible for the inequitable distribution of wealth and the poverty which everywhere persists in the midst of plenty.

The condition of America and the world as well is traceable to the control of the state by a privilege

seeking class. The privileges which it enjoys are at war with social justice and with freedom as well. End privilege and freedom will usher in a new world in which justice and equality will prevail. And it should be the aim of society to adjust its institutions to the laws of nature, which are the laws of all life.

INDEX

- AGRICULTURE, EARLY CONDITIONS OF, 13.
America, debtor nation, 64; present condition of, 147; Constitution of, 102.
Americanization, 76.
Australia, railroads in, 213; Commonwealth Bank of, 218.
- BANKING, AND RAILROADING, 25; early-, 52; New York banks, 54; banking power of the United States, 58; banking power, France, 168; coöperative banking, 200; banking control of railroads, 216; banking public, 218; North Dakota Bank, 218.
Biological state, 192.
British constitution, 99.
- CARTHAGINIAN WARS, EFFECT OF, 159.
Caste, Great Britain, 164.
Civilization, history of, 157.
Civil War, 73, 121.
Class control of politics, 117.
Coal: production of, 7; profits in, 8; monopolization of by railroads, 27.
Concentration of credit, 53.
Constitution, sacredness of, 111.
Coöperative Movement, Russia, 190; banking, 220; industry, 231.
Corporations, profits of, 134.
Credit: 52; early banking, 52; concentration of, 53; New York Banks, power of, 54; money monopoly, 55; speculation, how promoted, 56; credit resources, 57; control of industry, 61; financial groups, rise to power, 121; social nature of, 217.
Culture feudalized, 150.
- DECAY OF THE STATE, 157.
Discussion, suppression of, 87; freedom of, 156.
Domestic development menaced by imperialism, 67.

ECONOMIC FOUNDATIONS OF THE STATE, 101; framework of feudalism, 144; foundations of politics, 193.
Education in the United States, 81.
Europe, revolutionary, 225.
Exploitation, 92, 95.

FARMER, BURDENS OF, 139.

Feudalism in America, 75; what it is, 144; industrial, 149; political, 150.

Financial groups, rise to power, 121.

Food, production of, 13; speculation in, 15.

France, condition of, 167.

Freedom, object of government, 114; necessity for, 179; in France and England, 184; principles of, 196; economic, 207; philosophy of, 227, 236.

Free land, 202.

French Revolution, 146; philosophers, 184.

Fuel, consumption of by railroads, 35.

GERMANY, TRANSPORTATION IN, 212.

Government, fear of by early settlers, 71.

Great Britain, power of privileged classes, 161; land monopoly in, 162; high finance, 165; imperialism, 166.

Ground rent, 50, 137; absorption of by taxation, 204.

HIGH FINANCE, GREAT BRITAIN, 165.

History of parties, 199.

Hydro-electric power, 34.

IMPERIALISM, FINANCIAL, 63; Great Britain, 166; ended in Russia, 191.

Industry, conditions of, 6; control of by credit, 61; suppression of, 84; feudalism in, 149.

Industrial democracy, 207, 224.

Iron ore, monopoly of, 48.

LABOR, SABOTAGE, 1; conditions of 2; coal miners, days work, 7; hostility of privilege to, 77; tax burdens of, 96; burdens on, 140; suppression of, 153.

Land: policy in America, 42; speculation, 43; city land, 47; ground rent, 50, 37, 204; monopoly in, Great Britain, 162; free-, 202.

Laissez faire, 70.

Lauck, W. Jett, 134.
Laws of Nature, 183.
Legislation and exploitation, 93.

MANLY, BASIL M., 131.
Marketing in Europe, 14.
McAdoo, W. G., 8.
Mediocrity, rise of, 89.
Milk supply, curtailing of, 16.
Miller, Fred J., 5.
Money monopoly, 55.
Monopoly: promoted by railroads, 27; land-, 44; timber-, 49; money, 55; Great Britain, 162; ending of by taxation, 206.

NATIONAL DEVELOPMENT AND RAILROADS, 26.
Natural government, principles of, 112.
Nature, laws of, 183.

ORIGIN OF STATE, 99.
Overhead charges of society, 127.

PARTIES, ECONOMIC AGENCIES, 117; history of, 119.
Plumb Plan, 209.
Polakov, Walter N., 11, 37.
Political feudalism, 145, 150.
Politics, fundamentals of, 125; economic foundations of, 193.
Political liberty in America, 71.
Population, density of in United States, 46.
Production, wealth, controlled by credit, 52.
Press, control of, 80.
Privilege, rise of, 73.
Profits, 130; of steel corporations, 132; created by law, 142.
Producing classes, burdens on, 138.
Public schools, 83.
Pujo Investigating Committee, 28.

RAILROADS: limit production of coal, 9; agriculture, 17; sabotage, 20; importance of, 22; banking control, 24, 216; discriminations, 26; coal monopolization, 27; interlocking interests, 29; supply corporations, 30; waste, 31; water transport, 33; hydroelectric power, 34; development, 37; brotherhoods, plan of, 209; in foreign countries, 211.

- Resources, banking, 57.
Revolutionary, Europe, 225.
Rome, 58.
Russia, ideals of, 189.
- SABOTAGE, 1; — in food, 15; by railroads, 29; of initiative, 86;
— and the State, 98; in America, 171.
Scarcity, coal production, 9.
Schools, public, 83.
Sedition laws, 98.
Single Tax, 203; effect of, 205.
Slavery, Rome, 160.
Soviet, what it is, 189.
Speculation: in foods, 15; in land, 43; promotion of, 56.
State, The, 98; economic foundations of, 101; natural state, 103,
112; sacredness of constitution, 111; freedom, proper objective
of, 114; artificial, 186.
Steel corporations, profits of, 132.
- TARIFF, 172.
Taxes, 128.
Teaching profession, 82.
Timber monopoly, 49.
Transportation, importance of, 22; (see Railroads).
- WASTE, DUE TO PRIVATE OPERATION OF RAILROADS, 31.
Water transport, 43.
Wealth, production limited by railroads, 23; production controlled
by credit, 52.

UNIVERSITY OF CALIFORNIA LIBRARY

Los Angeles

This book is DUE on the last date stamped below.

REC'D LD-URL

OCT 2 1970

OCT 21 1970

REC'D LD-URL

LD URL NOV 17 70

NOV 11 1970

REC'D LD-URL

MAR 14 '72

MAR 14 1972

OCT 19 1977

HC 106. H839R



3 1158 00207 4960

94

UC SOUTHERN REGIONAL LIBRARY FACILITY



AA 001 158 135 2

