

ECONOMIC PREJUDICES

YVES GUYOT

Translated by FRED ROTHWELL.



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Economic Prejudices

By
YVES GUYOT

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TRANSLATED BY FRED ROTHWELL



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INTRODUCTION

To set forth truths in a handy, convenient form that is easy to remember; to criticize errors by means of proofs that any one can apply; such is the object I have endeavoured to keep sight of in this small volume. It is this object, too, that was pursued by Frédéric Bastiat in his *Economic Fallacies*. He did not exhaust the subject, nor indeed do I claim to have exhausted it either.

In economy, truths are new, though prejudices are of long standing. Many of the latter have had to give way before the proofs and criticisms of Quesnay, Adam Smith, J. Baptiste Say, and other well-known economists. No longer than ten years ago, the principle of *Free Trade* in Great Britain might have been said to be as indisputable as the Rule of Three.

In 1903, however, the *Tariff Reformers* brought up certain old prejudices which every one thought had been catalogued once for all in the museums of human aberrations. They altered the labels, and now claim that they have invented a modern Economy. Doubtless they imagine that when Egyptian mummies are exhumed, they are thereby transformed into contemporary mummies.

The old balance of trade is no more correct or

true in the days of Joseph Chamberlain than it was in the days of Colbert. *Tariff Reformers*, however, after making it their study to weigh the imports and exports of goods, declare they attach little importance thereto when results disprove their assertions; whereupon they fall back upon other arguments. Their entire scheme of warfare consists in perpetually changing their ground. First, they appeal to economic arguments; but they are unable to win over the masses by promising increase of taxation—and every custom-house duty is a tax. Then, again, they cannot win them over by promising a greater degree of comfort by means of taxes on corn and meat, or an increase in manufactures by imposing duties on raw materials. Forced to recognize that they cannot ground their argument on economic reasoning, they have recourse to political reasoning. Very good. They do not say, however, what tariff wars they wish to engage in, nor against whom they want to fight; they do not state to which classes of their fellow-beings they wish to grant privileges, nor from which they would have to take them.

They juggle with quibbles and ambiguities that crumble away into the most pitiable contradictions. One of the delusions of error, however, is the complication of hypotheses. The process by which we maintain that 2 plus 2 equal 4 does not lend itself to the play of imagination. It is arid and uninteresting, though the criterion it sets up is an infallible one.

Economic science, too, possesses an inflexible criterion: profit or loss.

In the following pages I have frequently used the dialogue form of argument as being the quickest method of setting affirmations and objections over against each other. In the language of fencing, this is the "give and take" method. Economic science is championed by M. Faubert. As the name implies (faubert = mop) he is the mop, or swab a sailor uses, when washing down and cleaning a ship's deck. In times now long past, during a yachting trip, one may imagine that such a sailor would be a person of considerable importance, whose witty remarks were listened to and passed from mouth to mouth. He assumed the right to say what he pleased to everybody, and was a general favourite on deck. Ever since, I have had frequent dealings with him, both on land and sea.

The other talkers are *Joseph Prudhomme*, a type of man created by Henry Monnier, and which still exists; *the Colbertist*, who, in spite of the political and material progress that has taken place since the reign of Louis XIV, considers that his master's teachings are applicable to the twentieth century; the *Marxist*, a follower of Karl Marx, the father of German socialism; the "*Syndiqué*" representing the practical French socialist; the *Regulationist*, who often looks upon himself as a champion of freedom, though he wants neither himself nor any one else to have the right to do anything whatever without being authorized to do it by some one in authority. We are also introduced to a *Fabian*, a member of the English socialist party which took its name from the Roman general, Fabius Cunctator, the temporiser.

I have endeavoured to be clear and concise, and to put into practice "economy of effort," as regards my readers. All the same, I would ask them to give each question a few minutes' attention. That is the least they ask of their children at school in the working out of the simplest sums in arithmetic, and the task in hand is one that is quite as easy. Economic questions, however, like all others, should be studied seriously if they are to be understood.

The Spectator of March 5 was good enough to say that I had succeeded in the task I had undertaken. "*The dialogue form enables the author to state his facts and conclusions in a homelier, more attractive and even humorous manner than is to be expected in an economic work. . . . The book is full of light upon fundamental subjects that affect British politics. No point is more important than this; the common roots, as well as the falsity, of Protection and Socialism are so clearly and ruthlessly discovered, that it ought to be widely read here, and in so simple and attractive a form it would be popular reading. . . .*" My ambition is quite satisfied with such appreciation, if it is not too good-natured in its tone, and it will be a real pleasure to me if, by the translation of this little volume, I can render a few English readers intellectual service of like nature to that I received from Adam Smith, Cobden and Bright in my early youth.

YVES GUYOT.

September, 1910.

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BOOK I

THE NATURE OF PREJUDICES

CHAPTER I

THE DIFFERENT CLASSES OF PREJUDICES

ETYMOLOGICALLY speaking the word "prejudice," from the Latin prefix *prae* and the verb *judicare*, means: a judging beforehand. The Dictionary of the Academy defines it: a generally erroneous opinion, adopted without examination.

We do not know, however, *a priori*, whether an opinion is good or bad, and great numbers of those who profess and uphold prejudices as true, are quite lavish in arguments which attempt to explain them.

Errors may be classified according to the six categories under which Bentham placed sophisms. They include:

1°. Prejudices that rest upon the positive opinions of our forefathers: "As our fathers said! . . . They had a plough of such or such a pattern! . . . Don't change the plough-share," said Olivier de Serres. "We must do as they did before us! It is dangerous to undertake anything novel! . . ."

2°. Prejudices that rest on the negative opinions of our forefathers: "They did not act so! . . .

They did not think in that way! . . .” We are to reject *a priori* and without examination everything they did not accept.

3°. Prejudices that rest on dangers that may result from innovations: “We are accustomed to this! Why should we change our habits?”

4°. Prejudices that rest on the authority of famous men or well-established institutions: “That is a principle of religion! Aristotle said. . . .”

5°. Prejudices consisting of the adoption of a fixed opinion because it is recognized by a large number of individuals: “Everybody thinks so! . . . There’s no sense in that!” Philosophers have tried to discover in universal consent—a thing that has never existed—a criterion of truth. There is nothing in common between a modern European and a savage of Tierra del Fuego.

6°. Finally, prejudices based on personal authority: “I have always thought so . . . That has always been my opinion. . . .”

We must distinguish two things in the way in which a prejudice arises. There are two elements in every method, says Frédéric Bastiat: spontaneous observation, i.e. that in which we put up with something approximate; and determined observation, i.e. that which endeavours to find out the reality of things, to take into account the various coefficients in action.

What distinguishes the learned man from the ignorant is that the former believes in *intentional observation*, whilst the latter is content with *superficial observation*.

We are all curious; it is to curiosity that we owe

all our discoveries. Had we not curiosity as a spur to intelligence, we should never attempt to account for things that happen all around. We are too prone to sloth, however, and this prevents our looking for an explanation of phenomena and verifying this explanation. Sloth causes us to take words for things.

It is far easier to invoke words than to give oneself up to patient and prolonged investigation. Because we are too often satisfied with a careless glimpse or a superficial examination of anything, and make no attempt to determine the complex relations that govern even the most insignificant physical, biological or social phenomena; because we too frequently take a word for a thing, it should not be a matter of surprise that there are so many prejudices still ruling the world.

CHAPTER II

IN DEFENCE OF PREJUDICE

BURKE, the famous statesman, wrote in defence of prejudice. Men imbued with prejudices are neither critical, nor hesitating, nor lacking in decision. They believe because they believe; they are ready to act without ever discussing the motives behind their resolution.

Burke considered that those who obey what physiologists call reflex actions, who think mechanically, just as we all act in every-day life, without reflecting, for instance, on the way in which we hold a spoon or a fork, are very valuable members of any

society. Such men, imbued with all kinds of prejudices, adopt a decision without examining it, and he alleged that such a state of mind was very helpful in making people submissive and docile.

Burke was looking at things only from the standpoint of traditional prejudice. He forgot that a docile man, one accustomed to act without reflection, can easily be brought to obey other prejudices. Men like Fourier or Louis Blanc, Proudhon, Karl Marx or Engels, Blanqui or Eudes denounce "man's exploitation by man," tell him that "his employer grows rich on his toil and poverty," promise him leisure and a life of ease by the pillage of the wealthy, and these word-intoxicated dupes cause the Insurrection of 1848 and the Commune of 1871. Even now, the heads of the general Confederation of labour incite simple-minded fanatics to a policy of violence, cause murderous rioting, and set before the masses the ideal of a general strike.

People who do not consider the consequences of their actions are always dangerous. Burke should have known that prejudices contain an element of unrest as well as of stability.

CHAPTER III

" I AM AN ECONOMIST, THOUGH NOT AN ORTHODOX ONE "

THE COLBERTIST says to M. FAUBERT.—I am an economist, though not an orthodox one. In opposition to the Society of Political Economy, the shrine

of the orthodox, I have founded the society of national political Economy.”

M. FAUBERT.—By adopting the title of economist, you prove your modesty, since you continue to denounce economists ; at the same time, you usurp a title in trying to create a quibble.

THE COLBERTIST.—There you go ! You want to monopolize all questions that deal with political economy. I’ve not the slightest doubt but that you would gladly bring a summons against all who are not of your opinion, on the ground of illegal practice of economy, and force them to obtain a diploma of proficiency, just as those who treat the sick without having a diploma are prosecuted on the ground of illegal practice of medicine.

M. FAUBERT.—No ; everybody talks physic just as everybody talks political economy. It is you who, along with M. Méline in France and Herr Schmoller in Berlin, appeal to the State for protection against the followers of Adam Smith.

THE COLBERTIST.—It is quite natural that those paid by the State should not advocate opinions opposed to the Government.

M. FAUBERT.—It is quite natural you should carry your protectionist theories into the domain of the higher education. You are logical in that your assertions cannot be defended in themselves, but in assuming the name of “economists” you call yourselves something utterly opposed to all you maintain and ask for. By trying to create confusion between yourselves and true economists, you act deceitfully as regards both the quality and the value of the goods you are dealing in.

THE COLBERTIST.—Yes ; we are heretics, and you alone are orthodox. You would excommunicate us with your dogmas !

M. FAUBERT.—As we have no dogmas, we excommunicate no one ; though we do consider it strange that men who both profess doctrines opposed to political economy and do all they can against it, should call themselves political economists.

CHAPTER IV

INCREASE OR ECONOMY OF EFFORT

THE COLBERTIST (in scoffing tones).—Can you tell me how you distinguish the true economist from the false ?

M. FAUBERT.—There is a sure criterion that we apply.

THE COLBERTIST.—What name do you give it ?

M. FAUBERT.—Economy of effort.

THE COLBERTIST.—So that's your dogma, then ?

M. FAUBERT.—Yes.

THE COLBERTIST.—And any one who refuses to believe in this mystery you look upon as unworthy to be called an economist ?

M. FAUBERT.—It is not a mystery ; you yourself put economy of effort into practice in most of your every-day actions. If you are going anywhere, you take the shortest not the longest road, unless the former be very hilly. *Economy of effort.* If you want to dig the ground, you do not tear it up with

your fingers and carry it away in your hands, you take a spade and a barrow. *Economy of effort.* If you want to travel a certain distance, you go by rail instead of on foot ; and if you purchase anything, you pay as little as possible for it in order to economize the money you have earned. *Economy of effort.*

THE COLBERTIST.—But suppose the money comes from my income ?

M. FAUBERT.—You still economize it, for money that is spent is not available for other expenses. Consequently, either you must deprive yourself or make an effort to replace the money. Economy is always *economy of effort.* It is the characteristic of human evolution. Man invented tools and built roads to *economize effort.* He learnt to use fire, built huts, clothed himself with garments so as to *economize the efforts* to which his body was subjected in order to withstand the cold. He practised division of labour to *economize the effort* needed to obtain some object or other ; unless you are a shoemaker, it takes less effort to buy a pair of shoes than to make one. He discovered that he could obtain things more easily by exchange, than if he had been compelled to make them himself. *Economy of effort.* He invented arithmetic, a system of weights and measures, and money in order to keep account of his exchange transactions. Commerce, banking, economic organizations of every kind have as their object the *economy of effort* in the transport and exchange of the goods and the values that represent them.

THE COLBERTIST.—All this spells progress.

M. FAUBERT.—You are right. *Every doctrine or action, whose object or result is to increase effort, is harmful; every doctrine or action whose object is to economize effort, is beneficial.*

If you accept this dogma—since you insist that we have dogmas—you are an economist. If you do not, you would lavish and squander human effort, your ideal being *to obtain the minimum of effectiveness with the maximum of effort.*

THE COLBERTIST.—Don't attribute such absurdities to us.

M. FAUBERT.—Then you recognize that the history of human progress is that of the means practised in obtaining *the maximum of effectiveness with the minimum of effort.*

THE COLBERTIST.—I will allow that you are right from a mechanical standpoint, tools, transports, etc., but that is not all. The State must intervene to “protect national production and labour.”

THE MARXIST (suddenly appearing).—And to give the produce of labour to those who produced it, not to capitalists.

M. FAUBERT.—There I do not agree with you. Those economists you call orthodox investigate *the economic means calculated to help forward technical progress in the direction of the economy of effort*, whilst you, followers of Colbert and Marx, try to discover *what political means are most calculated to annihilate such progress.*

THE COLBERTIST and THE SOCIALIST (together).—Infamous!

M. FAUBERT.—You think so! Well, I tell you, when you call yourselves economists, you show your-

selves mistaken hypocrites: the arguments you maintain are altogether opposed to the aim of economic science.

CHAPTER V

“ORTHODOX ECONOMY IS BANKRUPT.”

THE COLBERTIST.—All the same, it is a matter of fact that *orthodox economy is bankrupt*.

THE MARXIST.—The progress of Socialism bears witness to the truth of this.

THE COLBERTIST.—All nations defend their national industry more and more against foreign competition, even Great Britain herself does.

M. FAUBERT.—What have the fluctuations of opinion to do with truth? There is no single scientific truth that has not been condemned at one time or another. Economic science dates from the middle of the eighteenth century. It has not only prejudices against it but interests as well. For it to become bankrupt, *you would have to prove that effort is a good thing, the economy of effort an evil, and that progress is in inverse ratio to the action of man upon things*. Are you prepared to prove this to be the case?

THE MARXIST.—That has nothing to do with it. *This orthodox economy of yours is sold to capital*.

M. FAUBERT.—Truth can neither be bought nor sold; all the same, economic science does regard capital as an important factor in economic conditions.

THE COLBERTIST.—*Your orthodox economy supports foreign interests.*

M. FAUBERT.—Economic science is international, like arithmetic, geometry, physics and chemistry.

THE COLBERTIST.—In economics *there are no principles, there are only interests.*

CHAPTER VI

“ IN ECONOMICS THERE ARE NO PRINCIPLES, THERE ARE ONLY INTERESTS ”

M. FAUBERT.—What you call principles are the relations proved to exist between phenomena. According to you, economic phenomena seem to be the only ones between which there are no relations capable of being determined.

THE COLBERTIST (jeeringly).—Quote one.

M. FAUBERT.—*The law of supply and demand.*

THE COLBERTIST.—Mere words.

M. FAUBERT.—We will see about that. You have some corn and wish to exchange it for money; therefore you desire to sell your corn. That constitutes the supply. Bakers need flour; there you have the demand.

THE MÉLINIST.—Just a verbal definition.

M. FAUBERT.—We must always begin with words; now, I will tell you the facts to which they point. If there is insufficient corn on the market to satisfy the demands of the bakers, the price rises.

THE MÉLINIST.—I am quite well aware of the fact.

M. FAUBERT.—And so you and your friend, who

have been holding corn in reserve, in the expectation of a rise in price, bring more corn to the next market.

THE MÉLINIST.—Certainly.

M. FAUBERT.—As there is a great deal of corn on the market the bakers easily obtain enough for their needs. Every one who has brought corn to market is afraid of not selling it and having to take it back. Consequently, prices lower.

THE MÉLINIST.—You are right.

M. FAUBERT.—The bakers, however, are attracted by this lowering of the price. They again begin to buy, and a rise takes place. These are mechanical, inevitable results that no human will can alter or do away with. *Increase of demand raises the price : this rise in price restricts demand and invites supply.* At once, the contrary result takes place. *Increase of supply lowers the price and invites demand.*

THE COLBERTIST.—You find fault with protectionists for violating the law of supply and demand by means of custom-duties, and yet they set these very custom-duties in operation !

M. FAUBERT.—You are mistaken. Economists never find fault with protectionists for violating the law of supply and demand, any more than they do with a man who flings himself out of the window for violating the law of gravitation. Far from violating the law of supply and demand, *the whole policy of protection is to make use of it in order to increase prices by diminishing supplies.* Your application of this law is one which often brings about consequences entirely opposed to those you expected, because you do not take into consideration the fact that it works both ways. The law of supply and

demand is as much a natural law as are the laws of Newton : and the very characteristic of a natural law is that it is inviolable ; whoever refuses to allow for it, receives the immediate and inevitable penalty of his neglect.

THE MARXIST.—We shall know how to apply it.

M. FAUBERT.—Hitherto you have not proved your fitness for doing so. You mostly use it as protectionists do, attempting to effect a rise in prices by means of strikes, *ca canny*, and other like methods.

THE MARXIST.—We have met with a fair degree of success.

M. FAUBERT.—Like the success won by the protectionists : apparent and momentary ; at bottom, illusory and mischievous ; such success, instead of diminishing man's efforts to satisfy his needs, increases them ; instead of increasing wealth, therefore, it arrests its development.

THE COLBERTIST.—Still, there are certain industries that we have developed in no small degree.

M. FAUBERT.—You do not mention those whose development you have completely stopped. *By imposing taxes, you have not increased wealth, you have merely displaced it. You have taken from some to give to others.*

THE COLBERTIST.—We have the majority on our side, and so we shall do still better.

THE MARXIST.—We, on our side, shall only be satisfied “ when society itself controls all the means of production and exchange.”

M. FAUBERT.—There are two boundaries, however, which your hopes cannot pass : 1° the ignorance of your fellow-countrymen ; 2°, the

impossibility of putting them into practice owing to the law of supply and demand.

CHAPTER VII

“FACTS ARE NOT ALWAYS IN ACCORD WITH THEORIES”

SUCH is the conciliatory remark of M. Joseph Prudhomme.

M. FAUBERT.—If a theory is a true one, facts are always in agreement with it. A feather, thrown out of the window, apparently does not obey the law of gravitation: it remains suspended; when placed in a tube from which the air has been expelled, it falls with the same velocity as a piece of lead.

The economist, however, cannot create a vacuum at will. He cannot always repeat the same economic experiments under identical conditions. Consequently he has to limit his observations to phenomena which are brought about, not to verify some particular scientific assertion, but to serve the special plans of each of those who contribute thereto.

CHAPTER VIII

“ECONOMIC SCIENCE MAY BE TRUE IN THEORY, BUT FALSE IN PRACTICE”

IN that case, we should have a practice which, in the same line of thought, would be a truth contrary

to that discovered by observation. In theory, 2 plus 2 = 4; but in practice, 2 plus 2 might give 3 or 5.

In theory, two different things both equal to a third are equal to each other; in practice, they might be unequal.

A truth either is or is not. If, in practice, any formula given by the theory cannot be verified, this is owing to one of these two causes: 1°, either, the theory is false, and needs to be changed, or 2°, there are co-efficients that counteract the theory, such as atmospheric resistance in the case of the feather. These must be found out and eliminated.

CHAPTER IX

“ IN BUSINESS ECONOMIC SCIENCE IS USELESS ”

M. JOSEPH PRUDHOMME.—There are many people who have made a fortune without knowing anything about economic science.

M. FAUBERT.—Human beings did not wait for the theory of the lever to be made known, before making use of this mechanical appliance; and we take our meals without having any clear notions about the physiological effects of the food we eat.

M. JOSEPH PRUDHOMME.—You cannot even speak of political economy without quoting facts furnished by people who have always been and even now are ignorant of it.

M. FAUBERT.—Empiricism always precedes science.

M. JOSEPH PRUDHOMME.—Then what's the use of carrying about with us a useless stock of facts ?

M. FAUBERT.—So, in your opinion, a business man should know nothing of arithmetic, and a land-surveyor should despise geometry. You think a carpenter can make a joint or a staircase 'all the better if he does it by guess-work. Science is the co-ordination of previous experiments and observations. It spares our contemporaries the efforts made by their forerunners in building it up.

M. JOSEPH PRUDHOMME.—If economic science is so useful, why should it be despised by so many who are in business ?

M. FAUBERT.—Though the commercial code compels business men to keep accounts, the majority do not keep them seriously. Those who, through neglect, fail thus lamentably in their strictest obligations, will be less inclined than ever to take the trouble to learn economic science.

M. JOSEPH PRUDHOMME.—Of what use would it be to them ?

M. FAUBERT.—Every man needs a kind of land-mark, so to speak, to direct his actions. The scientific land-mark is an abstract idea expressed in a formula ; this formula is a guiding principle. Economic truth is of the same service to business men as a lighthouse is to navigators. It prevents neither errors nor acts of folly ; but it indicates shoals and reefs and points out the path to be followed.

The economist places it at the disposal of all. It is each one's duty to use it as his interest dictates.

CHAPTER X

SOMETHING FOR NOTHING

I WAS once talking to a good-natured, generous-hearted man who was anxious to compass the happiness of all his fellow-men. He said to me :

Even now we have free instruction, we might have . . .

Excuse me, I said, instruction is free to those who benefit by it, but not to the ratepayers. To understand this, just cast your eye over the budget of the government. You will find that public education costs France 336,000,000 francs, all paid by ratepayers ; you and I both pay our share. We must have schools, masters and mistresses, and they cannot live on air, you know.

After a moment's reflection, he said in a tone of disappointment :

So there *is nothing gratuitous ?*

No, indeed, *everything must be paid for.*

BOOK II
EXCHANGE
CHAPTER I

“ NO ONE EVER GAINS EXCEPT BY ANOTHER’S
LOSS ”

THUS spoke Montaigne. In these words he merely expressed a prejudice of the age in which he lived, and one that still exists.

The formula is a truth in the case of an Arab sheik who, on rising in the morning, says to himself : “ What shall I plunder to-day ? ” What he obtained was at the expense of others.

This form of acquiring, however, calls forth resistance ; it destroys more wealth than it bestows even on the victor ; it is intermittent and by no means devoid of risk.

Shrewd individuals have had recourse to other methods ; instead of trying to obtain things by violence, they have tried to do so by persuasion. The enemies of the previous day have become mutual clients. Instead of avoiding, they have tried to come into contact with each other, and *each has offered the other some object which he prized less than he did one that the other could give him in exchange.*

Exchange is the very opposite of plunder and brigandage.

THE COLBERTIST.—Still, the profit of the one can be obtained only at the expense of the other.

M. FAUBERT.—Not at all. There is profit for both. In any society that is at all evolved, the producer produces not things that he needs, but rather those that others need. The farmer may keep back portion of his corn for his own consumption, but with the rest he buys shoes and clothes, hats and linen, carts and ploughs. Somewhere else are people who have produced all these articles for sale. When seller and buyer agree, each considers he has done a good stroke of business.

M. JOSEPH PRUDHOMME.—The dealer has done a good stroke of business.

M. FAUBERT.—Which dealer? Myself, in selling my corn. But it is also a good stroke of business when I buy a plough I need, and a hat to replace my old one. The other person and myself are in turn buyer and seller; every exchange is a mutual purchase.

M. JOSEPH PRUDHOMME.—When I go and buy a pair of boots, I sell nothing in exchange.

M. FAUBERT.—Does the shopkeeper make you a present of them?

M. JOSEPH PRUDHOMME.—You are joking?

M. FAUBERT.—By no means. In exchange for your boots and shoes you hand him gold or silver. The dealer buys these coins from you with his pair of boots. You see, the purchase is a mutual one. Nor will he keep his money in the safe, either; he will give it to the manufacturer who will sell him

boots which he will sell again in turn to those who are to wear them. One might say that it is the business man's profession to buy goods in the expectation of converting them into money at a profit. You go to a large shop and buy all kinds of things from the shopman, whilst he buys only one thing from you : money. This money, however, he employs in purchasing from the manufacturers other goods that his customers need.

CHAPTER II .

“ THE MIDDLE-MAN IS A PARASITE ”

M. JOSEPH PRUDHOMME.—But then, this middle-man is useless. Would not “ direct dealings between producer and consumer ” be far better ? Each would keep for himself the share of the profit that has been unduly deducted by this parasite.

M. FAUBERT.—These are big words : “ unduly,” “ parasite.” Could a Brittany peasant, with a dozen eggs to sell, take them to Paris for the purpose ?

M. JOSEPH PRUDHOMME.—He could forward them by parcels post.

M. FAUBERT.—Do you have them sent in that way ?

M. JOSEPH PRUDHOMME.—No ; my wife says she could never be sure of getting them, just when they are needed.

M. FAUBERT.—And so you prefer to go to a dealer who buys large quantities and afterwards retails them to his customers.

M. JOSEPH PRUDHOMME.—That is my wife's opinion, I must say.

M. FAUBERT.—When you need a pair of boots yourself, you go to a bootseller, I suppose.

M. JOSEPH PRUDHOMME.—He may also be a manufacturer ; in which case there is no middle-man.

M. FAUBERT.—True, but then there are all kinds of general expenses, the result being that great numbers of manufacturers, instead of selling direct to the consumer, send their goods to shops, where they are retailed at no higher cost than that charged by the manufacturers who sell direct to the public. These middle-men, then, are not parasites. If you dispute my conclusion, you may adopt a very simple method of showing how useless these men are : never buy anything from them, and always buy direct from the producer.

M. JOSEPH PRUDHOMME.—I must confess that we did try it with wine, but the producer did not always send us wine of uniform quality.

M. FAUBERT.—He can control neither the quantity nor the quality of his crop. Thus, he displeases his client, and is in trouble himself, because instead of selling his produce in the bulk, and getting a profitable return for the expense he has incurred in cultivating his vineyards, he has had to incur additional expense in finding customers and storing his wine, without counting the delay in obtaining payment for the goods sold.

M. JOSEPH PRUDHOMME.—All the same, "the

middle-man is bound to gain at the expense of both the consumer and the producer.”

M. FAUBERT.—Of course—he deducts a certain amount of gain, but the question to ask is :—Does he render service ? Unless he does this, he will be left severely alone, but you yourself cannot deny that he is of service to you.

CHAPTER III

“ THE WEALTH OF ONE DEPENDS ON THE POVERTY OF OTHERS ”

M. JOSEPH PRUDHOMME.—Ruskin, the well-known writer, says something to the effect that “ the power of a guinea in your pocket depends solely on the lack of a guinea in your neighbour’s pocket.”

M. FAUBERT.—This is an assertion that only adds to the numerous errors Ruskin made. My guinea is useful to me only because I can find something I want in exchange, and the person who takes my guinea will also be anxious to use it, or, if he keeps it back, he will do so with a view to using it later on. As J. B. Say has shown, products are exchanged for products. The more products there are, the greater the number of exchanges that are possible. A business man’s fortune consists of the wealth of his clients. The only condition on which he can sell is that he finds people with sufficient money to buy and pay for his goods. It is to his interest that everybody should be as rich as possible.

M. JOSEPH PRUDHOMME.—Even foreigners.

M. FAUBERT.—Certainly. What would become of all the milliners and dressmakers in the Rue de la Paix if the United States had continued to be inhabited by the six or seven hundred thousand Sioux, Apaches and other Redskins who once lived in that territory, covering 2,000,000,000 acres ?

M. JOSEPH PRUDHOMME.—Still, wherever we find exchange, there is always one who gains at the expense of the other.

M. FAUBERT.—Not at all. As Turgot has shown, both sides benefit. The very motive for freedom of exchange is nothing more than the preference held by each of the contracting parties for the thing he receives over that he gives. Each attributes to the thing he acquires a greater value than to that with which he parts. This difference of value, however, is the same on both sides. In all exchange, each gives one uniform value for another uniform value ; freedom of contract implies uniformity or equality between the two things exchanged.

M. JOSEPH PRUDHOMME.—But then, we always find one who is more eager than the other.

M. FAUBERT.—Under a system of economic liberty, the producer or dealer always is in greater need to sell than the customer to buy. The latter may refrain from purchasing, he may wait, or have recourse to substitutes. The manufacturer has bills falling due, wages to pay, a sinking-fund to create and general current expenses. The result is that, under the spur of competition, the selling price is ever drawing nearer and nearer the net cost, and this is to the greater advantage of the purchasers, the general public.

CHAPTER IV

“ FREE TRADE IS IMPOSSIBLE ”

EVER since the Revolution, the French have had the right to sell and buy freely whatever each one needs, with the few following exceptions :

1°. Fiscal monopolies, such as tobacco and matches, which do not prove that the State has any business capacity.

2°. Fiscal measures, whose object is to deduct taxes on alcohol, wine and other distilled and fermented drinks.

3°. The authorization,—left provisionally to the different mayors ever since 1791,—to tax bread and flesh meat.

4°. Certain prohibitions, more or less justified by reasons of hygiene.

In France, however, there is no political, irresponsible authority, coming between seller and buyer and saying to them : “ I don’t like the idea of one of you buying and the other selling, on the Paris market, corn grown in the North of France, for you are competing with corn grown in Beauce ; I don’t like the idea of one of you buying and the other selling cotton yarn woven in the Vosges, for you are competing with the weaving industry in Normandy ; consequently, I will fine you for every business transaction you carry through.

In contradistinction to what took place up to the time of the Revolution in 1789, the French of Brittany have the right to buy freely from those living in

Provence, and to sell to them, as is also the case with those of Guyenne and Lorraine : they are no longer hampered by inland customs duties.

They practise free trade with one another ; that is, a system of exchange in which there is no public authority coming between the two parties and saying to them : You shall not buy such and such a thing that you want, except under penalty of a fine.

Free trade is now practised between thirty-nine million Frenchmen, forty-four million inhabitants of the British Isles, sixty-one million Germans, eighty-six million inhabitants of the United States, one hundred and forty million Russians, and the three hundred million inhabitants of India. During the time of the continental *blocus*, it was practised under Napoleon by the whole of Europe, between seventy-three million persons. Finally, *absolute free trade* is practised between the United Kingdom and all the rest of the world. Such facts show that *it is not impossible*, for it has taken place, and is constantly being practised between inhabitants of the same nation as well as of different nations.

Suppose a deputy were to rise in the Chambre and say : " I propose the repeal of the decree of the fifth of November, 1790, which did away with the thirty-five inland taxes and the inland custom-duties that enforced the inspection of goods coming into Provence from Brittany or Guyenne, and *vice versa*, seven or eight times, making them pay a tax each time, every one of which came to from 10 per cent. to 15 per cent. of the value of the goods, accompanied by all kinds of risks of law-suits and distress

warrants"—his colleagues would straightway declare that he was a fit candidate for an asylum.

Then why do the majority look upon M. Méline as being worthy of the highest honours?

Free trade consists of an exchange that is agreed to, without the intervention of any authority.

Free trade is the rule for all inland exchanges in civilized nations.

Consequently, it is not something that is impossible of application.

The example afforded by the United Kingdom proves that it is advantageous to the only nation that fully puts it into practice.

BOOK III

PROTECTIONIST PREJUDICES

CHAPTER I

“EVERYTHING IS TOO CHEAP”

THE COLBERTIST.—I have just been reading the *Réforme économique*. Really, everything is too cheap.

M. FAUBERT.—And prices must be raised.

THE COLBERTIST.—Of course.

M. FAUBERT.—You are doing all you can to make everything dearer.

THE COLBERTIST.—Our home produce, naturally.

M. FAUBERT.—And therefore also foreign produce that might compete with it.

THE COLBERTIST.—Certainly.

Just then M. Faubert and the Colbertist come across Mme George Dandin—the Colbertist's real family name, by the way.

M. FAUBERT.—Well, madame, I suppose you regard everything as being too cheap?

MME GEORGE DANDIN.—Who has told you that? Some one has been making fun of you. Everything is too dear, in my opinion.

M. FAUBERT.—Your husband, M. George Dandin, says the contrary.

MME GEORGE DANDIN.—What! You have been guilty of such a foolish remark! You say everything is too cheap when every day I am forced to perform miracles of economy to clothe and feed the two of us! What an odd, outlandish idea to enter your noddle! He is making fun of you, M. Faubert.

M. GEORGE DANDIN.—No, it is M. Faubert who is making fun of you!

MME GEORGE DANDIN.—What is the meaning of this? M. Faubert would never dare. . . .

M. FAUBERT.—I should never think of such a thing. It was M. George Dandin who said that everything was too cheap.

MME GEORGE DANDIN.—He actually said that?

M. FAUBERT.—He did; and naturally thinking that you kept an account of the household expenses . . .

MME GEORGE DANDIN.—And you are quite right in your supposition.

M. FAUBERT.—. . . I logically concluded that he had your authority for what he said, and that you too regarded everything as too cheap.

MME GEORGE DANDIN (to her husband).—So you think everything is too cheap, do you?

M. GEORGE DANDIN.—Certainly, in theory.

MME GEORGE DANDIN.—In theory, what do you mean by that? Do we find everything too cheap when we settle our monthly accounts? On the contrary, we find that everything is too dear, that it is becoming almost impossible to make ends meet, that we are compelled to do without many of the necessaries of life, even, that not only can

we lay nothing aside for a rainy day, but we even run the risk of eating into our capital! And yet M. George Dandin considers everything too cheap! . . .

M. GEORGE DANDIN.—In theory, I said.

MME GEORGE DANDIN.—In theory! Explain what you mean! Can high prices be good in theory when all the time you complain of paying too much for everything in practice? Does this theory of yours reimburse you for what your practice has disbursed? Will you kindly explain?

M. GEORGE DANDIN.—Listen; high prices are good for national economy.

MME GEORGE DANDIN.—But they are bad for the economy of your own as well as of every other household, and if such be the case, how can they be good for the nation?

M. GEORGE DANDIN.—There we go! My wife is employing the same language as Bastiat and every other political economist! Well! I never expected to have to submit to such humiliation.

CHAPTER II

“ ENGLAND IS A PROTECTIONIST COUNTRY, THOUGH SHE PRETENDS TO HAVE ADOPTED FREE TRADE ”

M. FAUBERT.—Indeed?

THE MÉLINIST.—Certainly; she taxes wines and dried fruit.

M. FAUBERT.—But does she produce wine?

THE MÉLINIST.—No ; she imports it from Australia, however.

M. FAUBERT.—Are Australian wines taxed less than French or other wines ?

THE MÉLINIST.—No, they pay exactly the same tax.

M. FAUBERT.—Then why do you say that England is a protectionist country ?

THE MÉLINIST.—Because she has customs

M. FAUBERT.—Yes ; but they have been established for the collection of fiscal taxes, the whole of which go into the Treasury. They were created for the help they gave the Budget, not to protect any particular industry. In 1897 there were only nine articles taxed by the customs. The duty on sugar, restored on April 19, 1901, slightly increased the number, because it involved duties on glucose, confectionery, preserves. All these duties, however, *are fiscal, not protective duties.*

Duties on spirits, beer, dried fruit, soap and perfumes containing alcohol are excise duties, and these cause the alcohol coming from abroad to pay the same duties as that produced in the United Kingdom.

Direct custom-duties have been charged on playing cards, chicory, cocoa, coffee, sugar and things containing sugar, tea, tobacco and wine.

THE MÉLINIST.—They are custom-duties, all the same, and so I maintain that genuine free trade does not exist in England ; she is a protectionist country.

M. FAUBERT.—These duties, imposed on certain products, hinder the trade therein, but you are using a wrong expression when you say that they are protective duties.

THE MÉLINIST.—What is the difference ?

M. FAUBERT.—The object of a protective duty is to raise the prices of things produced in the country that fixes the duty. For instance, in 1894, a duty of seven francs per hundred kilograms of corn was imposed in France. Why ? So that all corn entering the country should cost on the market seven francs more than corn produced in France costs. What is the result ? The French farmers, protected against foreign corn, can sell it seven francs dearer than in London or Liverpool.

THE MÉLINIST.—But when we compare the prices on the London and Paris markets, we do not find this difference.

M. FAUBERT.—No ; the transport expenses of corn from London to Paris must be taken into consideration. Besides, if there is an abundance of corn in markets outside France, it seeks an outlet, and were the price to remain seven francs higher on the Paris market, even incurring a sacrifice, corn from abroad might come into France. Consequently, on an average, the duty comes to no more than five francs.

THE MÉLINIST.—That is not enough.

M. FAUBERT.—It's a decent sum.

THE MÉLINIST.—But it brings scarcely anything to the customs.

M. FAUBERT.—Well, in 1907 the duties on wheat and corn brought the Treasury 9,825,000 francs.

THE MÉLINIST.—That's nothing extraordinary ! Besides, why do the advocates of free trade complain ? What is it compared with a budget of more than 4,000,000,000 francs ?

M. FAUBERT.—Exactly, that's the difference between fiscal duties like those collected in the United Kingdom and protective duties. Protective duties ought not to bring gold to the Treasury; they ought rather to prevent goods from entering, so as to insure that national producers shall have a monopoly of the market of the country, and so enable them to raise their prices. The yield of a protective duty does not come from the sum it pours into the Treasury, but rather from the raising of the prices it brings about. It is estimated that nearly 70,000,000 hundredweights of corn come on to the French markets every year. The effect of the law passed in 1894 was to raise the price an average of five francs per hundredweight: now $70,000,000 \times 5 = 350,000,000$ francs per annum.

So this is what a seven francs duty forces all to pay who have to buy corn, whether consumed as bread or otherwise. These 350,000,000 francs must be added to the 9,825,000 collected by the customs in 1907, and it cannot be said that the foreigner pays anything towards these 350,000,000. It is our own countrymen who have to add this tax of 350,000,000 francs to all the other taxes they pay.

THE MÉLINIST.—Still, the seven franc duty is not now one of five francs.

M. FAUBERT.—True, but that is not through any fault of yours.

THE MÉLINIST.—No; but where can one see these 350,000,000 francs per annum. Nowhere; and if what you say is true, would the consumers of bread, the majority of the nation, have consented to pay such a sum?

M. FAUBERT.—They actually have paid it without knowing it, the cost of the tax being incorporated in the goods themselves.

THE MÉLINIST.—You speak of tax ; where does this tax of 350,000,000 francs go ?

M. FAUBERT.—Where does it go ? It goes into the pockets of the farmers and the ground landlords. It is a private tax by which bread-eaters are made to insure profit and income to certain categories of individuals. Under the feudal system, the lord of the manor collected tenures from his vassals, serfs and villeins, not to do them service, but for himself. The protective duty causes a feudal tax to be paid by the consumers of the protected product to the producer ; and the Revolution of 1789 abolished the feudal system and proclaimed the equality of one citizen with another.

THE MÉLINIST.—These are very big words.

M. FAUBERT.—They are quite true.

THE MÉLINIST.—It is none the less true that you have failed to prove that England does not collect custom-duties.

M. FAUBERT.—Well, I have even mentioned a list of articles subject to duty ; all the taxes collected, however, go to the Treasury, not a single one enables certain classes of producers to benefit at the expense of their countrymen. *The English tariff is fiscal, not protective.* It does not include any private tax, but conforms with the rule : *we owe no tax except to the State.*

THE MÉLINIST.—But then, England imposes duties on foreign vessels.

M. FAUBERT.—Ever since the treaty of 1826, Eng-

lish vessels have been on an equal footing with French, and at present such is the state of things with the vessels of all nations.

THE MÉLINIST.—All the same, I still maintain that England is a protectionist country, because she imposes custom-duties.

CHAPTER III

“ EVERY PRODUCER IS A PROTECTIONIST ”

SOME time after the tariff reform manifesto brought out by Mr. Chamberlain on May 15, 1903, M. Faubert came across the following sentence of M. Jules Doumergue : *Every producer is a protectionist.*

A few days afterwards he met an English manufacturer, who said to him :

I am a producer, and therefore I am in favour of tariff reform.

Of what are you a producer ?

I manufacture cement.

Cement, nothing else ?

That's quite enough ; you see, we specialize here.

Still, you buy bread, I suppose ?

Of course. Ah ! I see what you are driving at. I shall pay a little more for bread if Mr. Chamberlain's programme is carried into effect. But what difference will that make to me, only a few farthings more at the end of the year ?

That is certainly not much for you, but an increase in the price of bread has more effect on the

income of each of your five hundred workmen, and if you add up the total, the farthings easily turn into pence, shillings and pounds sterling.

Bah! My workmen don't eat much bread, they prefer butcher's meat.

Very good! At the present time, leg of mutton costs sevenpence a pound, and the breast fourpence. When you put a duty on meat the price will rise.

We shall not put a duty on Australian meat.

You will put a duty on meat from other countries, with the object of raising the price of meat coming from the colonies. Consequently, you and your workmen will pay more for it.

A mere trifle.

If the duties on corn and beef and mutton are trifles, then why did Mr. Chamberlain propose to exempt from duty altogether, maize, the food of the Irishman and of the pig? The Germans, who had not enough meat in 1907, did not look upon these duties as insignificant. The thrifty housewife, as she adds up her weekly expenses, is careful to note whether they are a few shillings and pence more or less than the previous week's total. And besides, both yourself and your workmen must have houses to live in.

Oh! We shall not put a duty on bricks . . .

But a duty will be put on cement.

There is so little used in building a house; besides, we shall manage to get along all right.

Then why do you want a duty on cement? The brick-maker will also want one on bricks.

He will be in the wrong if he does.

He might say the same of you.

Anyhow, it will be a trifle.

If so, what is the use of a duty at all?

It will yield something, all the same.

An increase of price, therefore; and if the net cost of your workmen's five hundred houses is raised, they will be forced to pay dearer for them. Besides, you've not only to house, you have to dress yourself as well.

Mr. Chamberlain suggested a duty of ten per cent. Do you think a duty of ten per cent. on my collars, and the cloth that enters into the garments I wear, can affect me in any way?

It is the intention of those who impose these duties to raise the price of the cloth and cotton stuffs that your workmen wear, to the extent of ten per cent.

They will pay without noticing it.

But then, they will notice that their income is diminishing, and will ask for an increase of wages.

Well, I will give it to them in case the custom-duties increase the price of my cement.

Ah! So you recognize that, being a manufacturer of cement, you consume all sorts of food products and manufactured articles, by the aid of your five hundred workmen. Then, too, you need coal.

Naturally, and also . . .

Raw material. Before being a producer, you are a great consumer.

But my raw material is of a very simple nature.

Yes; but dressmakers and milliners need cloth, silk, ribbons, tulle, lace, artificial flowers and manufactured products of every kind. *All producers are, in the first place, consumers: the more they produce,*

the more they consume. They change raw material into finished articles, and the workmen they pay transform their cost of food and upkeep into labour. *Every producer is a consumer of the most varied articles* coming from every part of the globe: coffee from Brazil, tea from India or China, cocoa from Central America, boots and shoes made from leather coming from the Argentine Republic, shirts made of Louisiana cotton, cloth manufactured from Australian wool, etc.; whereas he himself produces no more than one, two or three kinds of goods.

True, but I do not desire that objects which I do not produce should pay custom-duties, I want them only for cement.

You are of the same opinion as the manufacturers who gave evidence on the Committee of Inquiry in 1834; each wanted either the suppression or the reduction of duties on every product except his own.

They were quite right; but each must come to an understanding with the rest, in order to have duties placed on his own products.

And so, manufacturers are not so simple now . . .

They have learnt from experience.

But each one makes it his endeavour to increase the duties by which he is protected, and to reduce or suppress altogether the duties on the articles he consumes.

That's only natural: *buying cheap and selling dear.*

And so you recognize that *before being a producer, you are a consumer.*

CHAPTER IV

“FRANCE OUGHT TO PROVIDE FOR HERSELF”

THE COLBERTIST.—*France ought to provide for herself.*

M. FAUBERT.—That was the idea of the feudal lord of the manor, and yet he plundered the merchant who set foot on his land. By the way, what did you have for breakfast this morning, may I ask?

THE COLBERTIST.—Tea.

M. FAUBERT.—Did it come from France?

THE COLBERTIST.—No; I suppose it came from our colonies, as coffee does.

M. FAUBERT.—Ah! You think we consume the coffee grown in our own colonies, do you? In 1907, out of 101,600,000 kilograms of coffee, only 1,600,000 kilograms came from our colonies, in spite of the duty of 58 francs by which it benefits; whilst coffee from Brazil and other countries pays 136 francs. Were the French compelled to drink none but French coffee, they would think they had gone back to the good old times of the continental *blocus*.

THE COLBERTIST.—Yes, but cocoa . . .

M. FAUBERT.—Certainly, the proportion of cocoa that comes from our colonies is somewhat larger than that of coffee; in 1907 it was six per cent of the total output. Were you reduced to drink none but national and colonial cocoa, a cup of chocolate would indeed be expensive.

THE COLBERTIST.—I quite recognize that we have

adopted the bad habit of consuming products from other countries than France, but that is a habit which must be corrected.

M. FAUBERT.—If all your garments were manufactured from raw material coming from France, you would be very poorly clad! Your shirt and your handkerchief are made of cotton; in all probability, there is a certain proportion of cotton in the cloth from which your overcoat is made.

THE COLBERTIST.—Our colonies will supply us with the raw material.

M. FAUBERT.—Meanwhile, of the 2,725,000 hundredweights imported in 1908, we imported 6,348, worth 806,700 francs out of a total of 440,685,000 francs. Since “France ought to provide for herself,” why did you not support M. Jacquot in 1886, when he petitioned the Chambre for the imposition of custom-duties on cotton in bulk? This merchant seriously claimed that it would be an immense advantage to the northern districts if cotton were grown in hot-houses, as an important market would thus be opened up for the coal and glass industries. With this object in view, he proposed to tax raw cotton on entering France. The petition was carefully examined by a special Commission and a report was even drawn up. A public discussion, however, was not called for. All the same, certain of the deputies looked upon it as deserving of consideration!

THE COLBERTIST.—What a practical joke!

M. FAUBERT.—Why do you call the petition by such a name? In doing so, you acknowledge how correct is this *reductio ad absurdum* of the prejudice

you are continually offering your country as an ideal: "France ought to provide for herself."

THE COLBERTIST.—Take the case of wool.

M. FAUBERT.—Very good. Once it was not allowed to leave the country, so that it might be reserved for national manufactures, and, at the same time, it was not allowed to enter: a splendid way of reconciling varied interests! France produces from 40,000 to 50,000 tons of wool, whereas in 1907 we imported 151,000 tons, 14,000 of which came from our colonies and protectorates. We exported 38,000 tons, rather less than we produced. What would have become of the woollen industry had we been restricted to the national production of the material?

It is the same in the case of silk. It is stated that the foreign silk in France, independent of the products obtained from the spinning of foreign cocoons, was 2,639,000 kilograms in 1905; 3,684,000 kilograms in 1906; and 4,305,000 kilograms in 1907.

THE COLBERTIST.—All this is raw material, but a nation ought to produce manufactured articles for her own needs.

M. FAUBERT.—In 1907 we imported machinery to the value of 183,500,000 francs. In all probability this machinery was imported because France does not produce anything like it at the same price. Do you want France to provide for herself in this way?

THE COLBERTIST.—As far as possible.

M. FAUBERT.—Ah! You see you are forced to make concessions. It will be the same with prepared

skins, which, though manufactured products for the man who sells them, are raw material for the one who buys them. The same, also, with prepared furs. My dear fellow, if you were restricted to the products of your own country, your patriotism would undergo a considerable strain !

The land of France covers almost the two hundred and fifty-sixth part of the entire surface of the globe. Neither civilized men nor civilized nations can provide for their own needs.

CHAPTER V

“ WE OUGHT NOT TO BUY FROM OTHER COUNTRIES ANYTHING WE CAN PRODUCE OURSELVES.”

AFTER a few minutes of embarrassed silence, the COLBERTIST said in triumphant accents to M. FAUBERT. — Surely you will agree with me when I say : *We ought not to buy from other countries anything we can produce for ourselves.*

M. FAUBERT.—That depends.

THE COLBERTIST.—What ! That depends ? This is really too bad !

M. FAUBERT. Let us examine the question. An article *A*, produced in France, costs 100 francs. The same article *A*, purchased abroad and delivered in France, costs 75 francs ; I give in exchange 75 kilograms of article *B*, of my own production, and worth 75 francs.

To compel me to purchase article *A*, the Govern-

ment imposes a custom-duty, which forces me to buy the article at the cost of 100 francs.

Consequently, instead of giving in exchange 75 kilograms of article *B*, I am forced to give 100 kilograms.

The result is that the Government, to compel me to buy the article *A*, has caused article *B* to lose a quarter of its value. In protecting article *A*, it has depreciated article *B*.

CHAPTER VI

“ A COUNTRY SHOULD NEVER IMPORT THINGS WHICH IT PRODUCES MORE ECONOMICALLY THAN THEY CAN BE PRODUCED ABROAD ”

THE COLBERTIST.—You are unreasonable, but this time I have you in a fix : *A country should never import things which it produces more economically than they can be produced abroad.*

M. FAUBERT.—My reply is once more : that depends.

THE COLBERTIST.—I challenge you to prove that what I say is false.

M. FAUBERT.—Such proof is easy enough. A vine-grower might produce corn more cheaply than he pays for the corn he buys in the form of bread. All the same, he considers that he earns more by cultivating the vine.

It is the same in a country ; such and such persons may consider it more to their advantage to employ

capital and labour in such and such a kind of product. *A*, for instance, might make hats more cheaply than *B*, but he is a glove-maker, and he finds he earns more by making gloves than he would by making hats. Accordingly, he leaves *B* to make hats and continues his glove-making. It may be that *B* is in London and *A* in Grenoble. *A* will continue making gloves and will leave *B* to make hats, which he will find it to his interest to buy from *B*.

THE COLBERTIST.—What you say is admissible between individuals in the home trade of a country, but it is quite inadmissible when we are dealing with international trade.

CHAPTER VII

“ IN INTERNATIONAL TRADE, IT IS NATIONS, NOT INDIVIDUALS, THAT EXCHANGE GOODS ”

THE COLBERTIST.—Do you hear that ?

M. FAUBERT.—I am aware that this theory was set forth by Frederick List in his *Economie nationale* ; all the same, it is nothing but a prejudice.

THE COLBERTIST.—But you yourselves are continually speaking of the trade of France or of Belgium, of the United Kingdom or of Germany.

M. FAUBERT.—A convenient but bad habit that we have adopted. Do you think France and Belgium are two persons dealing with each other ? If so, you approve of the catering system adopted by Pharaoh in the time of Joseph, buying and stor-

ing corn to feed his people. This is work which your forefather Colbert did not undertake. The King of England regards it as done far better by the merchants of Liverpool and London than he could do it himself, and though M. Jaurès proposes to return to the catering system, when he recommends that the state buy and sell corn to other countries, we have not done so.

THE COLBERTIST.—And I hope we never shall.

M. FAUBERT.—There I agree with you ; and as a consequence, you must see that it is individuals who buy and sell ; they buy goods and sell them again at a profit without troubling their heads with the theories of Frederick List ; each acts on his own account. If *A* finds it to his advantage to make gloves in France, which he can sell in London at a greater profit than if he made hats, which, however, he might do more cheaply than those that *B* makes in London, then he will make gloves, not hats.

THE COLBERTIST.—But he will not import them into France.

M. FAUBERT.—That depends on whether he has a good opportunity or not.

THE COLBERTIST.—We will see to that and impose a duty on the goods.

M. FAUBERT.—That's an argument of force, not of economics.

Hoc volo, sic jubeo ; sit pro ratione voluntas. (I will and order it so ; let my will alone be my reason.)

CHAPTER VIII

“PAYING WITHOUT NOTICING IT”

M. FAUBERT.—I hear they have lightened the soldier's knapsack.

M. JOSEPH PRUDHOMME.—That's a good thing. The most unpleasant memory I have of the war is with reference to my knapsack, which almost dislocated my shoulders.

M. FAUBERT.—I quite agree, and yet, there may be some people who regard it as anything but a bad thing that a soldier should carry a heavy knapsack.

M. JOSEPH PRUDHOMME.—That's because they don't carry it themselves.

M. FAUBERT.—A very sensible remark. Though people are willing to recommend an overload for others, nobody wants it for oneself. In a handicap, certain horses are required to carry a few extra pounds weight, with the object of bringing them more on an equality with inferior horses.

M. JOSEPH PRUDHOMME.—That proves that no great overweight is required to bring down their speed.

M. FAUBERT.—If things are so in the case of a horse, if you approve of the lightening of a soldier's knapsack, you must confess that an overweight cannot be a good thing in civil and economic life.

M. JOSEPH PRUDHOMME.—I have never been a partisan of heavy taxes . . .

M. FAUBERT.— . . . That you notice.

M. JOSEPH PRUDHOMME.—Of course.

M. FAUBERT.—But only of those you pay without noticing.

M. JOSEPH PRUDHOMME.—If you do not notice a tax, it is the same thing as though you did not pay it.

M. FAUBERT.—And so if you do not pay your taxes to the tax-collector himself, do you not mind ?

M. JOSEPH PRUDHOMME.—I must say I cannot reckon them up so easily.

M. FAUBERT.—Naturally ; but you pay dearer for goods into which these taxes have been incorporated.

M. JOSEPH PRUDHOMME.—I don't deny it. Still, the State must be supplied with funds, and I prefer the taxes paid by all who are willing to consume the objects taxed, than a progressive tax which would be an instrument of confiscation in the hands of those who would not pay it against those who would.

M. FAUBERT.—I understand. You are quite willing to supply the State with funds ; that shows good feeling on your part.

M. JOSEPH PRUDHOMME.—I have never been an anarchist, and am always prepared to meet any demands the State may make on me.

M. FAUBERT.—All the same, they must not be too numerous.

M. JOSEPH PRUDHOMME.—Naturally ; for instance, there are the demands made on us for the defence of the country.

M. FAUBERT.—Of course. The whole thing consists in finding out whether the credits voted are employed in the true interests of the nation,

M. JOSEPH PRUDHOMME.—Certainly; in the interests of justice, of law and order . . .

M. FAUBERT.—But then, do you feel disposed to give a portion of your income to land-owners or cotton-manufacturers ?

M. JOSEPH PRUDHOMME.—Why should I do that ? They are richer than I am.

M. FAUBERT.—Yet you approved of the seven francs duty on the two cwt. of corn.

M. JOSEPH PRUDHOMME.—Naturally. We must support national agriculture.

M. FAUBERT.—The Danish farmers make fortunes on their corn, without imposing a duty. You also approve of a duty on cotton yarn.

M. JOSEPH PRUDHOMME.—Of course. We must defend the country's trade.

M. FAUBERT.—Still, each time you buy a loaf or a pocket handkerchief, you pay a private tax to the land-owner or the cotton-manufacturer.

M. JOSEPH PRUDHOMME.—Indeed ?

M. FAUBERT.—Certainly you do ; the very object of custom-duties is to increase the price of the articles. Consequently, you pay more than the real market price for them, and the aim of this increase of price is not to provide for the service of the general, common and undivided interests that the State ought to represent, but rather to supply an income or a profit to the producers of the protected articles. You are paying them a private tax.

M. JOSEPH PRUDHOMME.—You are wrong in saying this. I paid it without noticing, but now that my eyes are opened, it will be a different matter.

M. FAUBERT.—In your monthly accounts you were

a few dozen francs short, money you would now like to have, but which has gone to some protected individual or other.

M. JOSEPH PRUDHOMME.—Yes, but I have done something to uphold national trade and agriculture.

M. FAUBERT.—What would you have done with the twenty or thirty francs you have paid away in custom-duties during the month ?

M. JOSEPH PRUDHOMME.—I should certainly not have squandered them, but rather have purchased stocks or goods of some kind.

M. FAUBERT.—If you had bought ordinary goods, you would have been encouraging national industry.

M. JOSEPH PRUDHOMME.—Perhaps not, I might have bought goods from abroad.

M. FAUBERT.—You would have encouraged it, all the same, for in all likelihood, the thing you bought would have been paid for with something else. . .

M. JOSEPH PRUDHOMME.—But you said yourself that international commerce was not barter.

M. FAUBERT.— . . . Or with some kind of cash value ; consequently, the value demand you would have caused would have increased its price.

M. JOSEPH PRUDHOMME.—Or with gold.

M. FAUBERT.—That too is possible ; but, in any case, your purchase would have increased the circulation both of articles and of values. It would have caused a new production.

At this point, the Colbertist intervenes :

Don't listen to M. Faubert's sophisms ; he is speaking of your extra charge. Your reply was a very good one, when you said that, as you did not notice it, it was the same as though it did not exist.

M. JOSEPH PRUDHOMME.—I beg your pardon ; I do notice it now.

THE COLBERTIST.—You will forget what M. Faubert has been saying. Besides, what does it matter. If you yourself do not make such or such a purchase, because protection has taken from you a portion of the value that value has been given to the protected. These latter will turn it to account, by making purchases with it, so it is not lost.

M. JOSEPH PRUDHOMME.—But then, they will profit thereby instead of myself.

THE COLBERTIST.—Quite true, M. Joseph Prudhomme ! But I will appeal to your patriotism ! For the welfare of your country, you must be resigned to sacrifice something.

M. JOSEPH PRUDHOMME.—I am always willing to devote myself to my country's good. Still, the prosperity of a country does not depend on individual sacrifice ; on the contrary, it is the result of the prosperity of each inhabitant. If my sacrifice merely consists in giving a certain portion of my resources to others, that they may spend them instead of myself, then, I do not see how I am increasing the wealth of my country.

THE COLBERTIST.—You would not have made so good a use of it.

M. JOSEPH PRUDHOMME.—You are not certain of that. My property right enables me to use my wealth as I please ; and if the State compels me to give a portion of it to others for them to spend instead of myself, then the State is infringing that right.

THE COLBERTIST.—How refractory you are getting! It is clear that M. Faubert has infected you with those horrible economic doctrines of his. I tell you, by forcing you to purchase the products of your fellow-countrymen, the State is compelling you to increase the wealth of the country.

M. JOSEPH PRUDHOMME.—No, it is not enriching the country; a tax never does that. You yourself recognize that the object of your system is to take from my pocket sums I should prefer to spend to my own advantage, and to give them to another. It merely effects a transfer, nothing more.

THE COLBERTIST.—A useful transfer. At all events, it is not true, as M. Faubert says, that protectionism impoverishes the nation.

M. FAUBERT.—It impoverishes the nation in many ways. It imposes extra burdens on the masses, and consequently, restricts their activity, and that to the benefit of the minority. It increases the cost of living, and, therefore, impoverishes the population physically, for it prevents many from buying all kinds of things which would be useful to them. At the same time, it deteriorates the people; for, by increasing the expenses of life, it compels thrifty and far-seeing people to restrict the number of their children. It augments the cost price of products, and consequently closes against them foreign markets, in which they are no longer upheld by protection; therefore, by restricting markets, it injures the trade of the nation which it claims to support. It imposes extra burdens on the majority for the benefit of a few: the man who approves of the lightening of the soldier's knapsack ought not

to condone extra burdens on a nation's taxpayers and consumers, such as protectionism effects.

CHAPTER IX

“ WE MUST MAKE THE FOREIGNER PAY FOR A PORTION OF OUR TAXES ”

THE COLBERTIST.—If you are not of the opinion that the foreigner should pay *a portion of our taxes*, I say that you are a traitor, sacrificing your country to him.

M. FAUBERT.—But then, how can you establish a tax outside the limits of the national territory ?

THE COLBERTIST.—By means of custom-duties.

M. FAUBERT.—And you think the foreigner will consent to pay a portion of the custom-duties ?

THE COLBERTIST.—He will not do it to please us, but simply because he needs to sell.

M. FAUBERT.—But if he does not need to sell, he will not consent to make this gift ; consequently, it is not he who pays but rather you and I and our countrymen.

THE COLBERTIST.—And yet you recognize yourself that the custom-duty on corn is not in full operation, but, on an average, only to the extent of five francs out of seven. Therefore, the foreigner pays two francs.

M. FAUBERT.—That is because we import very little foreign corn : 134,000 tons in 1907. Our

demand is feeble, and is exercised only to make up our own supply. In 1897 and 1898, however, when the crops were a failure, do you think it was the foreigner who paid the custom-duty? Nothing of the kind. There was a difference of over seven francs between the markets of London, Antwerp and Paris. To the custom-duty, carriage and other expenses were added; and there was a certain margin between the buyer at a distance and the buyer on the spot. M. Méline, at that time President of the Council, ascertained that the price of corn in France had risen to 34 francs, and he found himself obliged, by the decree of May 4, 1898, to suspend the seven franc duty.¹

THE COLBERTIST.—He was wrong in that, for it resulted in an excessive importation of corn.

M. FAUBERT.—When there was no longer a custom-duty; consequently, it was the foreigner who had refused to pay it.

THE COLBERTIST.—The case is an exceptional one.

M. FAUBERT.—But then, if it is the foreigner who pays the custom-duty, why did Mr. Chamberlain, who maintained this theory, announce in his Glasgow speech in October, 1903, that there should be no tax whatever on maize because it was an article of diet for the very poorest of the population and for cattle, nor any tax on bacon as being a very popular food?

THE COLBERTIST.—I cannot be held responsible for Mr. Chamberlain's inconsistency.

M. FAUBERT.—That is not very generous of you,

¹ See for differences of prices in various countries, Yves Guyot : *La Comédie Protectionniste*, p. 130.

for he champions your arguments. If it is the foreigner who pays the duty, why don't you make the Americans pay a duty on raw cotton, and the Australians and the inhabitants of the Argentine Republic, one on wool? That would be all profit.

THE COLBERTIST.—You are speaking of raw materials.

M. FAUBERT.—But if the foreigner pays the duty on food and manufactured articles, he would also pay it on raw materials.

THE COLBERTIST.—Perhaps not to the full extent.

M. FAUBERT.—Indeed? If it were the foreigner who paid the custom-duty, why would you allow a temporary entrance? Why would you agree by contract to refund goods made of foreign yarn, on leaving the country? Why would you agree to refund the duties on re-exported cast-iron, etc.?

CHAPTER X

“RAILROADS OUGHT TO IMPOSE EXPORT TARIFFS”

THE COLBERTIST.—I hope we are in agreement on this question, for, in free-trade Belgium, I see that protests have been raised against the measure brought forward by M. Hellepute, Minister of Public Works, viz., the suppression of export tariffs.

M. FAUBERT.—If protests have been raised against this suppression, you see that M. Hellepute probably does not regard this system as advantageous to his country, since he wishes to do away with it.

THE COLBERTIST.—He needs funds for the State railroads.

M. FAUBERT.—Then this measure does harm to the State railroads, at all events.

THE COLBERTIST.—But it is beneficial to national industries.

M. FAUBERT.—Which? In this case, the principal national industry is coal.

THE COLBERTIST.—Very well. According to the *Étoile Belge*, this measure will prevent the exportation of coal.

M. FAUBERT.—Then it would not injure all the national industries, but only one: coal. But it is to the interest of all the others to have coal cheap; you will not deny this, I suppose?

THE COLBERTIST.—You are right; but a country should export as much coal as possible.

M. FAUBERT.—I see no harm in that on condition the exportation is effected under economic conditions. If, however, exportation becomes burdensome to the country that engages in it, we get the following result: you pay the foreigner to enable him to buy certain of your products cheaper than your own countrymen can buy them. The effect of your national economic policy is that you are making the foreigner a gift.

THE COLBERTIST.—Not at all, I don't want export tariffs to be imposed at a loss. All I want is that they should be as far as possible below the home tariffs.

M. FAUBERT.—But if they are below the home tariffs, the result is that you give a preference to the foreigner at the expense of your own country-

men. They may obtain coal, for instance, at a smaller transport cost, but this foreign market you are opening up for coal has the result of increasing the cost where it is produced and diminishing it where it is consumed. Consequently, you place national manufactures that have sprung up in the coal district, in a state of inferiority. To protect one industry, you increase the cost price of all the rest.

THE COLBERTIST.—But then, export tariffs will be applied to them also.

M. FAUBERT.—Are you sure this reduction will not prevent the lowering of home tariffs on these different goods? Even admitting that they do not involve the railroad in a loss, they lessen the proportion of income from the capital sunk in the railroad: consequently, they are invariably a loss to the country.

CHAPTER XI

“THE GOVERNMENT SHOULD TAKE MEASURES TO PREVENT THE EMIGRATION OF CAPITAL”

M. FAUBERT.—That is your opinion, M. Joseph Prudhomme?

M. JOSEPH PRUDHOMME.—Certainly.

M. FAUBERT.—What is the emigration of capital? Exportation, nothing else. I thought we never exported enough, in your opinion.

M. JOSEPH PRUDHOMME.—But I don't want our gold to be exported.

M. FAUBERT.—Do not be disturbed about that ; it is only a small proportion of our investments abroad that is dispatched in gold, the best proof of this fact lies in the metallic reserve we have in the Banque de France.

M. JOSEPH PRUDHOMME.—But everybody tells me that there is not enough capital in France. Any one who wishes to start an industry or a business of any kind has the utmost difficulty in finding money. On the other hand, a banking firm issues a large foreign loan, and millions of francs pour in.

M. FAUBERT.—That depends on the good pleasure of those who have capital to invest ; but if you were to prevent them from buying foreign securities, do you think they would be more disposed to invest them in industries that lacked capital ?

M. JOSEPH PRUDHOMME.—Certainly, since they would not know what to do with their money.

M. FAUBERT.—But if they had no confidence, they would hoard it up in the traditional old stocking.

M. JOSEPH PRUDHOMME.—It would remain in France, at all events.

M. FAUBERT.—Yes, but it would not be utilized, whereas, invested abroad, it encourages trade and facilitates commercial dealings. Look at the results the English have obtained with their capital invested in the Argentine Republic. In short, if an investment is a good one, it produces interest, and consequently increases the fortunes of those of our countrymen who go in for it.

M. JOSEPH PRUDHOMME.—But the same capital, invested in France, would have produced interest.

M. FAUBERT.—If the whole of French capital were

invested in France, the rate of interest would fall considerably; consequently, the capitalist's profit would dwindle more and more. He invests his capital at a higher rate of interest; all the more profit for him.

M. JOSEPH PRUDHOMME.—Still, those who need it in France, pay dearer for it.

M. FAUBERT.—You are right, but what is the conclusion you draw from the fact? Under the old *régime*, before 1763, the exportation of corn was prohibited, not only abroad, but from province to province, in order to insure cheaper bread for the working classes. This system ruined the farmers, whose corn lay rotting in the fields, whilst hungry folk in the neighbouring province were clamouring for it. What was the result? The following year, the growers were afraid they would have too much corn, so they did not sow so much. Let capital go where capitalists find it to their advantage to send it. As they do not intend to impoverish themselves, they will not impoverish the country.

M. JOSEPH PRUDHOMME.—And yet, there have been bad investments abroad.

M. FAUBERT.—Have there never been any in France?

M. JOSEPH PRUDHOMME.—Still, a portion of the money has remained in the country.

M. FAUBERT.—If bad investments at home had been good investments abroad, don't you think that would have been better?

M. JOSEPH PRUDHOMME.—Certainly.

M. FAUBERT.—Well! The greater the choice of investments, the greater the chance of their being

good ones. The capitalist should have liberty to use his money as he pleases. A tax has been imposed on foreign securities in order to protect French securities. What has been the result? Second-class securities have been introduced on the Paris *Bourse*, the others have kept aloof. Shall I tell you a very simple method of preventing the emigration of our capital?

M. JOSEPH PRUDHOMME.—Yes; what is it?

M. FAUBERT.—An extremely simple one: make capital secure in your own country; bring it about that each individual enjoys both the liberty to act and the certainty that he will enjoy the fruits of his actions.

M. JOSEPH PRUDHOMME.—That does not depend on me.

M. FAUBERT.—Certainly, it depends on you, since you are an elector.

BOOK IV
THE BALANCE OF TRADE

CHAPTER I

“ EXCESS OF IMPORTS IS A DEFICIT ”

M. FAUBERT.—In spite of all the economists have done, they have not yet destroyed the *balance of trade*, according to which, *all excess of imports over exports* is a deficit for the nation. This expression is continually being used in official documents, not only in France but even in Japan. Consuls, who, all the same, have had to pass an examination in political economy at the beginning of their career, devote almost the whole of their reports to an inquiry into the trade balance of the nation in which they are living, and they employ the word “deficit,” when they find there is an excess of imports. M. Edmond Théry constantly uses the term in his statistics ; at the time of the crisis of 1907, he spoke with dismay of the deficit of the trade of Great Britain, which the United Kingdom would have to make good with gold !

THE COLBERTIST.—But the English still make use of the term.

M. FAUBERT.—Yes, the tariff reformers, who are endeavouring to reintroduce into their country the prejudices from which Adam Smith had freed it.

THE COLBERTIST.—It remains to be proved that they are prejudices.

M. FAUBERT.—The proof has been given in a few lines of Bastiat, that admit of no possible refutation. His demonstration is as follows. A vessel sails from Havre to New Orleans.

1°.—It is wrecked outside the harbour : its cargo consisted of 200,000 francs worth of Paris manufactures. The sender had no other resource than to enter in his books :—

“ *Divers articles debit to X— 200,000 francs, for purchase of divers objects forwarded by steamship N—.* ”

“ *Profit and loss debit to divers articles, 200,000 francs for total and complete loss.* ”

The partisan of trade balance is jubilant : excess of exports ; but then, he is not logical in his opinion, for he does not want the goods despatched to be thrown into the sea.

2°.—Mr. T. of Havre, says Bastiat, sent from Havre to the United States a vessel laden with French goods, mainly Paris manufactures, to the value of 200,000 francs. That was the sum at which their value was declared at the customs. On reaching New Orleans, the cargo was found to have been subjected to 10 per cent. expenses and 30 per cent. duties, which brought up the total amount to 280,000 francs. It was sold at a profit of 20 per cent., that is, 40,000 francs, producing a total of 320,000 francs, which the consignee converted into cotton. For

carriage, insurance, commission, etc., this cotton had again to submit to 10 per cent. expenses, the result being that, on entering Havre, the new cargo came to 352,000 francs, this being the figure recorded in the customs statement. Finally, Mr. T. again realized on the return cargo 20 per cent. profit, i.e., 70,400 francs; in other words, the cotton sold at 422,400 francs.

Bastiat added :—

If M. Lestibouois wishes, I will send him an extract from Mr. T.'s books. . . . There he will find on the credit side of the profit and loss account, i.e., set down as profit, two articles, one, 40,000 francs, the other, 70,400 francs; and Mr. T. is convinced that, in this respect, there is no mistake in his book-keeping.

And yet, what do the figures given by the customs regarding this transaction, tell M. Lestibouois? They inform him that France has exported 200,000 francs and imported 352,000 francs; hence the worthy deputy comes to the conclusion that the country has spent and squandered the profits obtained from her former thrift, has become impoverished, is on the highway to ruin and has given the foreigner 152,000 francs of her capital.

THE COLBERTIST.—But some distinction must be drawn between individual and national interests.

M. FAUBERT.—Then you suppose that the national interest may consist of individual losses, and that if all the vessels that leave a port suffer shipwreck, it will be a gain to the nation, since there will be a large sum to put down to exports and nothing to imports?

THE COLBERTIST.—Things do not take place now as they did in Bastiat's time. In those days, Mr. T. made far less profits than we do now-a-days. He declares 200,000 francs at the customs, and adds 20 per cent. profit at New Orleans. At the present time, when I declare the value of the goods I am forwarding, I include my profits. The cost f.o.b. always includes profits. Well then, I declare 1,000,000 francs at the customs. My goods, on reaching New Orleans, will be sold for 1,000,000 francs, plus freight and customs duties. Nothing more. If I buy 1,000,000 francs worth of cotton, I shall have to add 100,000 francs. When, therefore, the customs register 1,100,000 francs of imports, there will be a difference of 100,000 francs between what I have forwarded and what I have received.

M. FAUBERT.—Granted ; but with what have you bought these additional 100,000 francs ?

THE COLBERTIST.—With my money.

M. FAUBERT.—Indeed ! You have not sent a single franc to New Orleans.

THE COLBERTIST.—But my banker may have forwarded the coin.

M. FAUBERT.—Very good. What was your profit on the million francs you declared at the customs ?

THE COLBERTIST.—About 100,000 francs.

M. FAUBERT.—And so you spent this sum of 100,000 francs in buying cotton, because you found that the best way to utilize it. You declared 1,000,000 francs worth of exports at the customs, but the 1,100,000 francs worth of cotton that you import has been paid for by the profit resulting from the transaction.

THE COLBERTIST.—I have had to disburse this sum, and so there is nothing left; my profit is swallowed up.

M. FAUBERT.—Why have you swallowed up your profit in this 100,000 francs worth of cotton? At the French customs, the 1,100,000 francs worth of cotton that you declared, comprises the profit of the American seller, freight and insurance, but you are going to sell the cotton again and make a fresh profit. Shall we set it down at 10 per cent?

THE COLBERTIST.—Too much.

M. FAUBERT.—That depends on the rate at which you bought and the one at which you will sell. To simplify matters, we will keep to this figure. You have, then, 110,000 francs, and the whole transaction will have brought you 210,000 francs profit.

THE COLBERTIST.—But I shall have to pay for the cotton.

M. FAUBERT.—Doubtless, but the transaction ends in a net profit for yourself, whilst the customs record gives 1,100,000 francs worth of exports. This the protectionists call a deficit, but you call it a profit.

THE COLBERTIST.—But then, a portion of the profit comes from the price at which I have sold back to my fellow-countrymen. All the same, it is quite true that I have given the Americans 100,000 francs more than I have sold them.

M. FAUBERT.—The sale total is not the profit total; the profit is made up of the difference between the purchase or net prices and the general expenses, on the one hand, and the receipts on the other. Now, your receipts come to 210,000 francs

more than you sold and bought. Consequently, you have done a good stroke of business, and the gains of a nation are made up of the total of the gains of each individual composing the nation.

THE COLBERTIST.—But then, a portion of the gains have been made from my countrymen themselves.

M. FAUBERT.—True, but they are the result of your buying from the Americans more than you have sold them. Whether we are dealing with business within or without a country, a dealer makes a profit only if he receives more than he gives.

THE COLBERTIST.—I agree, if you speak of money.

M. FAUBERT.—Has he kept the money? Has he not been eager to convert it into other purchases? And at the year's end, if, owing to his profits, he finds that he has been able to procure more goods than the previous year, he welcomes the excess of imports which has enabled him to increase his turn over.

CHAPTER II

“ THE TRADE BALANCE MUST BE MADE FAVOURABLE
BY INCREASING CUSTOM-DUTIES ”

THE COLBERTIST.—In every country, except the United Kingdom, Holland and perhaps Belgium, the government tries to *make the trade balance favourable by increasing custom-duties.*

M. FAUBERT.—True, and now consider what happens in these countries.

succeed in making the balance favourable to themselves, the French government, the eminent members of the customs commission, along with M. Méline, should succeed even better.

M. FAUBERT.—They have not done so, as is proved by the annual yearly average ever since the 1892 tariff, the object of which was to restore the trade balance in favour of France.

	Imports, in Millions of Francs.	Exports, in Millions of Francs.
1st period : 1893-1897 . .	3,835	3,337
2nd period : 1898-1902 . .	4,490	4,007
3rd period : 1903-1907 . .	5,186	4,886

THE COLBERTIST.—All the same, the difference is a diminishing one.

M. FAUBERT.—That is not a very good sign, perhaps, but then, imports continue to increase, you see.

THE COLBERTIST.—In Germany, too ?

M. FAUBERT.—The same thing happens. In spite of all that the agrarians and protectionists can do, in 1893 the imports were 5,000,000,000 francs ; in 1907 they were more than 11,000,000,000, while the exports were 8,600,000,000, a difference of nearly 2,500,000,000 francs.

THE COLBERTIST.—Incredible !

M. FAUBERT.—It is sad, is it not, to see the government of Haiti succeed so completely in making the trade balance favourable to their country, where the German statesmen fail so lamentably ?

THE COLBERTIST.—And what of Belgium, the Netherlands, Italy, Denmark, Sweden, Switzerland ?

M. FAUBERT.—They all have the trade balance against them.

THE COLBERTIST.—That is because the customs duties are not high enough.

M. FAUBERT.—Might not another conclusion be drawn from that general fact ? If customs duties cannot turn the trade balance in wealthy countries, is it not a sign that these duties are contrary to the very nature of things ? In that case, instead of making desperate efforts to raise them, would it not be better to do away with them altogether ? You know what the myth says of Sisyphus ?

THE COLBERTIST.—Yes, Sisyphus was in the infernal regions, and his punishment consisted in rolling to the top of a hill a huge stone which always fell down again on reaching the summit.

M. FAUBERT.—Well then, since in wealthy countries the imports, in spite of custom-duties, are always higher than the exports, protectionists are carrying out a very costly *Sisyphism*, and one of the most grotesque character.

THE COLBERTIST.—All the same, there are eminent men who . . .

M. FAUBERT.—Now you are employing the argument from authority. Well, I will tell you what these eminent men, these devoted patriots and eloquent politicians, are pre-occupied with : they want to offer their prosperous country the aspect of a ruined land ; that is the task they are undertaking and of which they are so proud, the work for which

they are lauded to the skies. They wish to transform prosperity into poverty ; for *the trade balance is favourable to poor countries, involved in debt, and unfavourable to wealthy, prosperous nations.*

THE COLBERTIST.—You cannot include the United States in the list of countries that are poor and involved in debt ?

M. FAUBERT.—Everything is relative ; the United States need capital for their railroads and manufactures ; they have borrowed largely from Europe.

THE COLBERTIST.—Has the trade balance always been unfavourable to France ?

M. FAUBERT.—Since 1870 there have been four years when the balance of trade was favourable to France.

	Imports, in Millions of Francs.	Exports, in Millions of Francs.
1872	3,570	3,781
1873	3,554	3,787
1874	3,507	3,701
1875	3,536	3,872

On the other hand, the balance of trade was very unfavourable to Germany.

	Imports, in Millions of Marks.	Exports, in Millions of Marks.
1874	3,604	2,353
1875	3,531	2,495
1876	3,802	2,547

THE COLBERTIST.—So Germany was growing poorer whilst France was growing richer ?

M. FAUBERT.—Alas ! Such was not the case. France was obliged to export in order to pay the war indemnity from which nothing was received in return. *The trade balance is always against credit countries and in favour of debit countries.*

CHAPTER III

“ ENGLAND LIVES ON HER CAPITAL ”

THE COLBERTIST.—All the same, there are Englishmen who say that the excess of imports is ruining England, and that she is living on her capital, like a spendthrift who is always buying more than he sells. The excess of imports is terrifying. Taking only the past ten years, the Board of Trade calculates that the United Kingdom imported 1,640 millions of pounds sterling more than the exports came to.

M. FAUBERT.—I will not challenge your figures ; they merely testify to the economic and financial strength of Great Britain.

THE COLBERTIST.—So you do not look upon England as being on the highway to ruin ?

M. FAUBERT.—Ask John Bull himself.

THE COLBERTIST, brought into contact with John Bull, repeats his question.

JOHN BULL replies : If a deficit in exports had been destined to ruin me, I should have been bank-

rupt long ago. I have not been in my present position the last few years only. Ever since 1854, from which date I can reckon customs statistics, my imports have always exceeded my exports.

THE COLBERTIST.—And don't you regard yourself as the poorer in consequence ?

JOHN BULL.—On making up my accounts, I find I am richer. The total estimate of the revenue on which taxation is based is continually rising : and I must confess that the figures are less than they ought to be, for tax-payers everywhere show no great eagerness to contribute more than their share.

In 1861 the total estimate of the revenue on which the income-tax was based amounted to 312 millions sterling ; in 1906–1907 it was 944 millions sterling, an increase of 202 per cent., or more than 4 per cent. per annum.

In 1881 the revenue invested abroad was 30,573,0000 pounds sterling ; in 1905–1906 it had risen to 73,899,000 pounds sterling, an increase of 138 per cent. ; in 1907–1908, it was 79,560,000 pounds sterling, an increase of 159 per cent.

THE COLBERTIST.—Still, you must pay for what you buy.

JOHN BULL.—Surely you do not imagine that I am ignorant of so elementary a fact ! I do not rely on other countries making me a present of the things with which they supply me, any more than I expect my own countrymen to do. I pay them for what they sell to me.

THE COLBERTIST.—So when you buy a thousand pounds' worth of goods from any one, you give him a thousand pounds ?

JOHN BULL.—Certainly ; unless he owes me the money.

CHAPTER IV

GOLD DRAINAGE

THE COLBERTIST.—Nevertheless, the United Kingdom has to submit to a gold drainage, and has been forced to borrow gold from the Bank of France. In 1907 the Bank of England was compelled to raise the Bank Rate to 7 per cent.

JOHN BULL.—Then you imagine we still pay for the excess of our imports in gold ? That shows, in spite of the facts of the case, that the mercantile system represented by your ancestor Colbert is still professed by some people.

THE COLBERTIST.—You are right.

JOHN BULL.—We know how much gold there is in circulation throughout the world : 140,000,000 pounds sterling, an insufficient sum to carry on the world's trade.

THE COLBERTIST.—That depends on the circulation of a gold coin.

JOHN BULL.—Exactly ; but the sum is insignificant when compared with the business transactions that now take place. In 1906 the English and American clearing houses turned over a sum of 5,200 millions of pounds. The world's gold stock represents rather more than 2·5 per cent. !

THE COLBERTIST.—But then, what of foreign trade ?

JOHN BULL.—The United States customs informs us that the excess of exports over imports from 1897 to 1906, was 4,800 millions of dollars, representing the difference between 13,800 millions of exports and 9,000 millions of imports.

4,800 millions of dollars represents in round figures 1,000 million pounds sterling. If, now, we compare this figure with that of the excess of gold imports into the United States, we find that 504 million dollars of gold were exported, and 750 million dollars imported, a difference of 246 million dollars. And so, we see that this enormous difference in exportation of United States goods from that of the rest of the world is paid for by an excess of gold imports to the extent of 5 per cent.

THE COLBERTIST.—But then, this percentage must have increased in 1907 when there was a monetary crisis in the United States.

M. FAUBERT.—We will deal with that some other time. During the three fiscal years, 1905–1906, 1906–1907, 1907–1908, from July 1 to June 30, the average annual excess of exports was 120,000,000 pounds sterling, and that of the imports of gold was 13,160,000 pounds sterling, so that the proportion had risen to 11 per cent. Portion of this gold, however, was not used to pay for goods, it was bought with personal estate, railroad bonds and other securities.

CHAPTER V

“INTERNATIONAL TRADE IS BARTER”

THE COLBERTIST.—But economists themselves say that *products are exchanged for products*, and that *international trade is barter*.

M. FAUBERT.—Your first sentence is an answer to those who imagine that business people in one country play at making presents to those of another. It simply means that when you buy a thing, you must pay for it, and they mean that you pay not only in gold for the goods you receive, but also in other goods. Still, it is a great exaggeration and a mistake to say that *international trade is barter*. On the contrary, international trade is carried on in several ways which do not appear in customs tables. It includes *exchanges of service and value*.

THE COLBERTIST.—Then you acknowledge that the formula, *products are exchanged for products*, is false.

M. FAUBERT.—No, it only needs to be completed by the words : *for service and value*.

JOHN BULL.—Evidently. The trade balance is favourable to the United States. They have incurred an enormous debt in Europe. Besides, Americans come to Europe for a holiday, and their wives and daughters cross the Atlantic to purchase and wear fine dresses. This constitutes an export of capital that serves to pay for an import of goods. In addition, they have no vessels in which to despatch and take in the millions of tons of goods

connected with their foreign trade. My ships carry 57 per cent. of their transports. So they pay me back a portion of the cost of the objects I buy from them.

My ships carry more than half the transports of the whole world. That brings me in a profit of about 90,000,000 pounds sterling per annum. With this money I can buy corn, mutton, wool, cotton, and even fine silk, excellent wine and brandy, if I choose, without giving in exchange a pound of calico or a ton of coal.

THE COLBERTIST.—But these transports are not enough to pay for the 130,000,000 pounds difference between the exports and the imports of the United Kingdom in 1907 (special trade).

There are still 40,000,000 pounds sterling to account for.

JOHN BULL.—Correct. But the revenue from my capital invested abroad is valued at over 75,000,000 pounds sterling.

THE COLBERTIST.—Is not that an exaggeration?

JOHN BULL.—On the contrary. Probably the actual figures are even more than they are declared to be. Still, that portion which the treasury knows nothing of, is also added to my purchasing power.

THE COLBERTIST (jestingly).—Anything more?

JOHN BULL.—Yes, indeed. There are commission profits which the city merchants make, as agents for merchants in all parts of the world, as well as the profits of the English Bank—for a draft on London is international money—and insurance profits.

THE COLBERTIST.—And so, with 90,000,000 pounds worth of maritime transports, and 75,000,000

pounds sterling, without counting profits from insurance, commission, and the Bank, do you pretend that the United Kingdom covered its excess of 130,000,000 pounds worth of imports in 1907 ?

JOHN BULL.—Certainly ; for the profits of transports by sea, and the revenue from capital invested abroad amount to 164,000,000 pounds, whilst there are only 130,000,000 pounds to account for.

THE COLBERTIST.—Yes, but in 1904 there was a difference of 180,000,000 pounds. Was there not, that year, in spite of your figures, a deficit in British trade ?

JOHN BULL.—No, it merely proves that we received a large sum that year.

THE COLBERTIST.—If you congratulate yourself on that, you must be anything but pleased at receiving far less in 1907, 130,000,000 instead of 180,000,000 pounds sterling ?

JOHN BULL.—No, that proves that in 1907 I lent a great deal, a thing I am always prepared to do for good interest.

THE COLBERTIST.—I do not quite understand.

JOHN BULL.—It's a very simple matter. Have you ever negotiated a loan ?

THE COLBERTIST.—Yes.

JOHN BULL.—The lender takes out of his cash-box a sum of 2,000 pounds, we will say.

THE COLBERTIST.—In the form of coin ?

JOHN BULL.—That is a matter of minor importance. If you, in France, had had to deal with the usurer in the legend, he would have given you stuffed crocodiles, or other curiosities of a like kind.

THE COLBERTIST.—Do you give stuffed crocodiles to those who borrow from you ?

JOHN BULL.—No, I give the borrower a cheque which he can exchange for real gold sovereigns ; these, however, he does not take away with him. He buys locomotives, railroads, canals, ships, in short a host of useful things which I can let him have on very favourable terms. He takes all this, and then, I export.

THE COLBERTIST.—What afterwards ?

JOHN BULL.—I export once because I have lent once ; afterwards, however, my borrower owes me annual interests. These he sends me in the shape of goods for which I have nothing to pay, since he owes me a sum representing an equal or greater value. Consequently, I give him nothing in exchange. In a word, when any one borrows from me, I export ; when my interest is being paid, I import. I exported once, and I import my interests annually.

The same thing takes place in connexion with all wealthy countries. The only difference is that I import more than the rest because I am wealthier, and am not so foolish as to diminish the profits from any imports by endeavouring to restrict them by custom-duties.

THE COLBERTIST.—Then international trade is not mere barter ?

JOHN BULL.—City bankers will tell you that trade between nations cannot be reckoned by the amount of goods bought and sold. It is not even calculated by the bills one country draws on another, for a bill drawn by New York on Paris

or Hamburg may be negotiated in London, in Berlin, in Amsterdam, or any other place.

CHAPTER VI

TRADE BALANCE AND ECONOMIC BALANCE

THE COLBERTIST.—I should like to see a table like that of the customs tables which set down all these interesting facts.

M. FAUBERT.—That has been done. In 1905, at a meeting of the international institute of statistics, M. de Foville on behalf of France, and M. Ignace Gruber, head clerk in the financial department of the Government of Austria, compared the *economic balance* with the *trade balance*.

The economic balance sets up the profits and losses that result from certain imports or certain exports which may be classified under four heads : 1°, men ; 2°, goods ; 3°, current coin ; 4°, personal property and public credits.

As the result of an official investigation made by the Austrian Government, M. Ignace Gruber arrived at the following results for the ten years 1892–1901.

	Average.	
	Minus.	Plus Imports, in millions of crowns (a crown = 1 fr. 05).
Balance of payments for interests, dividends, etc., of foreign public securities	335	—
Balance of international trade in public securities	—	77
Payment resulting from the establishment of foreign societies in Austria	—	16
Profits of foreign companies in Austria	8	—
Balance of special trade in goods	—	201
Payment abroad of military navy	10	—
Balance of financial transactions for railroads and merchant navy	—	38
Balance of international payments caused by emigration or immigration	—	21
Sums received from foreign visitors	—	47

Credit, in the case of Austria-Hungary, is the excess of imports; and *debit*, the excess of exports.

From the addition of the above credits and debits, we find:

Credit.	Debit.	Difference.
in millions 407	361	46.

To this difference has been added the excess of imports of precious metals: 63 millions, so that we have a credit of 109 millions of crowns. But this credit includes the 201 millions in excess of imports of goods, otherwise the economic balance would show a deficit.

THE COLBERTIST.—Ah! What different ideas you have from those held in the days of my ancestor! You would swear that the heart is on the right side!

M. FAUBERT.—Such comparisons prove nothing at all. Still, Colbertism, from the economic point of view, finds itself in no better plight nowadays, than would the ideas on medicine held by Purgon and Thomas Diafoirus in Molière's play.

BOOK V

THE DEFENCE OF NATIONAL LABOUR

CHAPTER I

“THE DEFENCE OF NATIONAL LABOUR”

M. FAUBERT.—Suppose you were obliged to live on your wages and you earned 50 centimes an hour. If you pay for an article 25 centimes more than you could buy it for in the open market, you are forced to work half an hour, and if you pay 50 centimes more for it, you must give an hour's work. Consequently, you work for an extra half-hour or hour, and at the end of the day find that you have a less wage than if you had been able to pay 25 or 50 centimes less for the article.

THE COLBERTIST.—But that is not my fault.

M. FAUBERT.—I beg your pardon, that is the whole of your policy, it is there that you differ from the economists. You wish to force the vast majority of your fellow-countrymen to make greater efforts than are necessary, in order to provide themselves with the things they need. A kilogram of corn makes a kilogram of bread. With the 7 francs duty on corn, if you buy a loaf weighing two kilograms, you are obliged to pay 14 centimes more than you ought. The duty on meat is 35 centimes per kilogram. The

head of the family, paid at the rate of 50 centimes an hour, will have to do almost an hour's work in order to pay 49 centimes more than he would have had to pay for two kilograms of bread and one of meat. Protective duties deprive him of a portion of his wage.

THE COLBERTIST.—Ah ! Now I understand what you are driving at. You mean to say that protective duties increase effort.

M. FAUBERT.—Do you challenge the example I have just given you ?

THE COLBERTIST.—No ; but that is not the question. We wish to defend national labour.

M. FAUBERT.—That is to say, you want to make people work longer than they ought, in order to give portion of their wages to others whom you protect.

THE COLBERTIST.—But those we protect give a portion of what they earn to others.

M. FAUBERT.—So, by your own confession, you compel those you protect to give others a portion of what they earn : but then, if everybody is protected alike, no one is protected at all ! As you cannot possibly make this equal division of protection, there must be some who are protected more, and others less. That depends on the cleverness or political influence of the one or the other class. You condemn those least protected to make gifts to those who are most protected. These gifts cost both effort and privation. Now, *economic science* is the study of the means that man has employed and must employ, with a view to *economy of effort*, whereas you try to discover means for imposing on him increased effort.

CHAPTER II

“ SNOW AFFORDS WORK FOR THE WORKERS ”

M. JOSEPH PRUDHOMME visited M. Faubert when the snow was on the ground. After a few well-expressed remarks on the trouble and inconvenience caused by snow to those obliged to walk through it, M. Joseph Prudhomme said :

Everything has its compensations ; fortunately, it affords work for the workers.

M. FAUBERT.—As a matter of fact, we do engage workers who, with a greater or less degree of energy, load the snow on to carts which carry it off to the river.

M. JOSEPH PRUDHOMME.—True, but it also clears the road, and is useful in that it affords work for the workers.

M. FAUBERT.—You have never read Bastiat's *Vitre cassée*, I suppose.

M. JOSEPH PRUDHOMME.—No.

M. FAUBERT.—That is a pity. Now, tell me, do you feel pleased when your servant breaks a window in your house ?

M. JOSEPH PRUDHOMME.—What a question ! Of course I'm not pleased.

M. FAUBERT.—All the same, have you never heard the saying : It's an ill wind that blows nobody good ! That's good for trade !

M. JOSEPH PRUDHOMME.—Yes, but it is at my expense. I would rather have kept my two francs in my pocket.

M. FAUBERT.—I agree with you. Well, then, it is also at your expense that the snow is good for

trade. The administration of the city of Paris spends from 200,000 to 300,000 francs in this work. Had this money not been voted for work of this nature, I am not so deluded as to imagine that it would have remained in the pockets of the tax-payers, but at all events, it would have formed part of the general resources of the budget, and might have been utilized in public work. These two or three hundred francs, instead of adding to the general wealth, have been subtracted from it. An accident, a broken window, a house on fire, a flood, a fall of snow, in fact, whatever constitutes work that might have been avoided, is a diminution of wealth, consequently, a loss. Accordingly, those who claim that there is a good side to any such catastrophe in that it affords work to the workers, are guilty of an error they would never commit in their own private lives, for every one regards as instances of impoverishment and misfortune, such events as broken windows and plates, broken or soiled furniture or goods of any kind.

M. JOSEPH PRUDHOMME.—But then, no one ever breaks windows for the purpose of effecting an improvement in trade.

M. FAUBERT.—Don't they! Every day the Colbertists are solemnly doing this very thing.

M. JOSEPH PRUDHOMME.—I don't see how.

M. FAUBERT.—They impose a duty of ten francs per hundred kilograms on window-panes more than 50 centimètres square, that cost less than 30 francs. That is more than 33 per cent. It is exactly as though you were to break a third of the windows on the frontier in order to improve trade. You

might have a window-pane for 1 franc, 50 centimes, but they make you pay 2 francs for it. They take 50 centimes out of your pocket, Joseph Prudhomme, in order to push forward the window-glass trade.

M. JOSEPH PRUDHOMME.—But these 50 centimes are mine.

M. FAUBERT.—Certainly; and yet you allow this amount to be taken from you and given to certain of your fellow-citizens who, in this particular case, are window-glass manufacturers.

M. JOSEPH PRUDHOMME.—One must do something for one's fellow-citizens. Were it not for these 50 centimes, glass manufacturers might be compelled to let their furnaces die out, and that would throw the workmen out of employment.

M. FAUBERT.—What lofty sentiments, oh Joseph Prudhomme! That is *what you see*, as Bastiat said; but what you do not see is the fact that you would have made some kind of use of these 50 centimes, and this sum, repeated on each of your purchases and on those of your fellow-citizens, amounts to thousands, and even millions of francs. A certain number of fifty centime pieces, deducted by the Colbertists, would have enabled you to expend them in a way you have not been able to do. Bastiat applied this to the boot-making industry.

M. JOSEPH PRUDHOMME.—Oh!

M. FAUBERT.—Yes; the Colbertists have compelled you to give to window manufacturers, cotton spinners, etc., fifty centime pieces, which you cannot give to the boot-maker. Consequently, they have taken from the boot-maker to give to the glass-maker, by depriving you of a pair of boots.

Now look at the result :—To you, a loss of fifty centimes, taken from you without any compensation.

To the boot-maker, a loss of fifty centimes.

To the glass-maker, a gain of fifty centimes.

Consequently, the Colbertists, instead of effecting an increase of wealth, have brought about a diminution, as in the case of the broken window.

The money is lost to the boot-maker, to whom you gave it, and has benefited only the glass-maker ; but to-morrow or the day after, it will be the boot-maker's turn, and the glass-maker will submit to a loss equal to that the boot-maker has to submit to to-day. We have both *impoverishment and transfer* ; nothing more. It is the Colbertists who are the real window-breakers.

CHAPTER III

“ WHETHER IT IS YOURSELF OR ANOTHER WHO
BENEFITS, MATTERS LITTLE ”

M. JOSEPH PRUDHOMME.—What you have just said is a proof to me that you have not yet got beyond Bastiat.

M. FAUBERT.—That is true in many things.

M. JOSEPH PRUDHOMME.—You are behind the times.

M. FAUBERT.—Truth never grows old ; $2 + 2 = 4$ nowadays, as they did ages ago. Bastiat deserves credit for his clear reasoning on questions, which facts have never ceased to confirm.

He demonstrated that almost all economic sophisms and prejudices were based on this conception: *the desire to increase artificially the value of things or of services.*

Now, value consists of three elements:—the cost price of the thing or the service; the purchasing power of the one who needs it; the intensity of that need.

What are protectionists doing when they impose prohibition or a protective system on a country's frontiers?

They are increasing the cost price of the protected article: for as it is the object of a protective duty to raise the price of every article that is produced in that country, it lessens the purchasing power of the man who needs the article.

M. JOSEPH PRUDHOMME.—How?

M. FAUBERT.—In a very simple fashion. The duty on meat is 35 centimes per kilogram, whatever be the quality. A kilogram of beef costs me more than I should pay for it, if I were able to buy my provisions in an open market. If I buy 100 kilograms of beef in a year, I pay 35 francs more than I ought to pay. I have given this sum to land-owners, I have not used it in buying cotton, boots, and all kinds of things. Though I may not have deprived myself of meat, I have deprived myself of other things; consequently, the demand for these things has been lessened and their output restricted.

M. JOSEPH PRUDHOMME.—That is a matter of no importance since others have received these 35 francs.

M. FAUBERT.—What! That is a matter of no importance for me! I should greatly have preferred

to make what use I pleased of this sum, instead of being compelled to give it to others, perhaps far richer than myself.

M. JOSEPH PRUDHOMME.—I am speaking from the standpoint of national interest. The money is taken from you, but it is given to another who can make quite as good use of it as you can.

M. FAUBERT.—You see that it is diverted from the use I would have made of it. Why is this? Because public men, from all kinds of motives—prejudice, erroneous ideas, private interests, servility towards influential electors, etc.—have considered themselves justified in favouring certain individuals at the expense of the public. But then, M. Joseph Prudhomme, are you not a member of the league against tuberculosis?

M. JOSEPH PRUDHOMME.—Of course I am; I have even bought lottery tickets to encourage the work.

M. FAUBERT.—Well, whilst you are doing your best to combat tuberculosis, the very legislators who voted the custom-duty of 35 centimes per kilogram of beef and are now applying it, are doing all they can to propagate tuberculosis, for the best system of hygiene against this terrible affliction is the hygiene of the beefsteak.

CHAPTER IV

“ THE PURCHASE OF FOREIGN PRODUCTS ABOLISHES FRENCH WAGES ”

THE COLBERTIST.—In spite of Gournay, de Quesnay, Adam Smith, J.-B. Say and Bastiat, I still have

disciples : for the above is a sentence taken from a speech by M. Jules Dansette, delivered at the *Chambre des Députés* on July 2, 1909. My famous ancestor could not have expressed his meaning better.

M. FAUBERT.—What we have to do is to see whether or not it is true.

THE COLBERTIST.—Prove it to be false.

M. FAUBERT.—In 1907 we imported 580,400,000 francs worth of wool, 441,500,000 francs worth of silk and floss-silk, 440,700,000 francs worth of raw cotton, 329,100,000 francs worth of oil-seeds and fruit, 115,100,000 francs worth of leather, 153,000,000 francs worth of untanned skins and hides, etc. Have these different purchases abolished French wages ?

THE COLBERTIST.—We must make distinctions ; though assuredly silk and floss-silk, oil-seeds and fruit, and leather, have not been brought into the country without doing a certain amount of harm.

M. FAUBERT.—But if these varied products had not entered the country, would the wool from French sheep have kept the factories going ?

THE COLBERTIST.—No.

M. FAUBERT.—Would the cocoons of the Cevennes have sufficed for the Lyons silk-weaving and the ribbon-weaving of Saint-Etienne ?

THE COLBERTIST.—Probably not.

M. FAUBERT.—Has cotton in Normandy and the Vosges abolished wages ?

THE COLBERTIST.—All this is raw material.

M. FAUBERT.—Any object that is a finished article for the manufacturer who delivers it, is raw material for another manufacturer. Leather, a manufactured

product for the tanner, is raw material for the harness-maker and the shoe-maker. Has this introduction of leather abolished wages? To what extent? From the statistics of the census of 1901, the preparation of leather and skins affords occupation for 51,300 persons, but these same articles are raw material for 47,900 persons who manufacture goods of leather and skins, and for 238,800 persons who make boots and shoes and gloves. Consequently, if the purchase of 155,300,000 francs worth of leather provides work abroad, it insures wages for 286,000 persons, whilst only 51,300 persons would find it to their interest to prohibit the introduction of foreign leather. If the wages of one person went abroad, the wages of nearly six would be guaranteed at home.

THE COLBERTIST.—Leather pays duty.

M. FAUBERT.—Doubtless if it did not, instead of 286,000 persons being employed in the manufacture of skin and leather goods, boots and gloves, there would be a far larger number.

THE COLBERTIST.—But if we protect skins, we also protect boots and shoes.

M. FAUBERT.—Are you certain the protection of boots and shoes is more profitable for this industry than the freedom to buy leather in the cheapest market. Are you sure the balance is correct?

THE COLBERTIST.—We propose to change it.

M. FAUBERT.—Then you must modify your duties with every step forward in tanning, or the invention of every new machine, I suppose? As a matter of fact, you are sacrificing the wages of 286,000 persons to 51,000 others, when you admit

that the wages of the latter would be compromised by the free entry of prepared skins.

THE COLBERTIST.—That would be the ruin of the tanning trade.

M. FAUBERT.—I doubt it; anyhow, it would insure success in skin and boot ware. The most important branch of our national industry is connected with wearing materials, numbering as it does 1,483,000 persons. They need cloth; your cloth is protected; therefore, they must pay tribute to the 167,000 persons employed in the cotton industry, the 166,000 persons employed in the woollen industry, and the 135,000 persons employed in the silk industry. Compare the figures! 468,000 on the one hand; nearly 1,500,000 on the other; 1 to 3! This is a population that needs freedom and the power of expansion. The protection from which the tissues that form its raw material benefit, increases its cost price and diminishes the home market. Such protection abolishes the wages and profits that would result from increase of exportation. We should find the same results in every other industry. 75,000 people are employed in metallurgy, but the number of those who use metals is 707,000! The protectionist system protects products in which workmanship is either nil or purely mechanical, to the prejudice of those industries in which clever workmanship is of more importance. That is the way in which it protects national labour!

CHAPTER V

“ A SAYING OF POUYER-QUERTIER ”

M. JOSEPH PRUDHOMME found the following question asked by Pouyer-Quertier, incorporated in M. Dansette's speech :¹ “ What matters it to me if I pay two sous for my loaf, provided I have four sous to pay with ; and what benefit should I have in paying one sou for it, if I have only one sou with which to buy it ? ”

With an air of triumph, he repeated this to M. Faubert, and then asked—

How will you answer that question ?

M. FAUBERT.—On the one hand, M. Pouyer-Quertier states a certainty : that you can buy your loaf for two sous ; but he does not prove that if you have to spend two sous for your loaf, you will have two sous instead of one with which to buy it ; and then if you have only one sou, you can buy only half the amount of bread you could before.

M. JOSEPH PRUDHOMME.—Of course I shall have the two sous.

M. FAUBERT.—How ? Will the extra sou given to the corn-grower double the sou you earn as iron-worker or miner, silk-weaver or ribbon-weaver, fisherman or civil servant ?

Does the increased price of corn raise the price of fish or iron, or coal, of ribbons or silks ?

M. JOSEPH PRUDHOMME.—The farmer will have more money with which to buy ribbons and silks, iron and fish.

¹ *Chambre des députés*, July 2, 1909.

M. FAUBERT.—The money you give the farmer is taken from others who would have bought these different articles. *Protection does not create money, it only effects transfers.*

M. JOSEPH PRUDHOMME.—Suppose we had not put a 7 franc duty on corn, the land would have been left unoccupied.

M. FAUBERT.—That is an assertion which cannot be supported by facts.

M. JOSEPH PRUDHOMME.—You are the only one of your opinion.

M. FAUBERT.—Numbers cannot convert an error into a truth. What you have to prove, however, is that the 7 franc duty has enriched the nation.

M. JOSEPH PRUDHOMME.—That is easily done. It has encouraged agriculture, which, but for the duty, would have met with nothing but discouragement.

M. FAUBERT.—But then, who pays this 7 franc duty ?

M. JOSEPH PRUDHOMME.—Everybody ; that is to say, all who buy bread.

M. FAUBERT.—But if all who buy bread have paid it to those who produce corn, no increase of wealth has resulted. Taking from one to give to another is a transfer ; you take a franc from Paul's pocket and put it into Peter's. You have merely displaced, not doubled the franc.

M. JOSEPH PRUDHOMME.—Still, those who paid out the seven francs would not have spent so advantageously the two francs they would have kept.

M. FAUBERT.—Then you think governments more likely than individuals to know what the latter should do with their money ?

M. JOSEPH PRUDHOMME.—I . . .

M. FAUBERT.—Suppose your deputy were to meet you, and say : I need 140 francs and you are going to give me them.

M. JOSEPH PRUDHOMME.—I should call for the police. But why 140 francs ?

M. FAUBERT.—Because he has a hectare (nearly two and a half acres) of corn, and this produces 20 hundredweights of corn which I multiply by the duty of 7 francs per hundredweight.

M. JOSEPH PRUDHOMME.—That is not how things work.

M. FAUBERT.—That is how things work, with this distinction, that you would call upon the police, were your deputy to ask you straight out for the 7 francs per hundredweight of corn that he produces, whereas you vote for him when he informs you he will take a portion of your money, either to lay claim to it himself or to give it to his friends, by virtue of an established law, and you also give him the right to call upon the police to enforce the claim.

BOOK VI
WORK AND WAGES

CHAPTER I

“CA CANNY”

“CA CANNY” is a Scotch expression which means—Don’t hurry, you will always do enough.

Certain trade unions have applied this expression to work in general, and the general Confederation of labour recommends that it be put into practice for the following reasons—

Don’t hurry, or trouble yourself, it will be so much to the good.

Don’t hurry, and you will prevent your master from profiting by your extra work.

Don’t hurry, and you will leave work for others and diminish the number of the unemployed.

M. FAUBERT says to the “Ca cannist”—Your first two reasons are an indication of the meaning you give to professional morality, so I will pass them by. The third, however, is an economic prejudice.

THE CA CANNIST (jestingly).—Yes, indeed, for bourgeois economists.

M. FAUBERT.—There is not one kind of arithmetic for the bourgeois and another for socialists : and if

you follow out Stuart Mill's demonstration, which is nothing more than a simple sum in arithmetic . . .

THE CA CANNIST.—I don't trust him.

M. FAUBERT.—Listen, all the same. Stuart Mill makes the following hypothesis: Two countries *B* and *C* supply the same kind of produce, but as employment in *B* is twice as effective as in *C*, the workmen in the latter take two days to do what those in the former do in one day. If we suppose that the cost of manual labour in these two countries rises from two to three francs a day, this increase will affect the cost of the product in question in *B* less than in *C*, because it will apply to a greater number of products.

THE CA CANNIST.—I don't understand.

M. FAUBERT.—All the same, it is clearer than the fancies of Karl Marx or Engels. *B* produces 20 francs worth of goods. His wage is 5 francs, i.e., 25 per cent. of the value of the product. He receives an increase of 2 francs, so, now his wage represents 35 per cent. of the product. The increase is 10 per cent. of the value of the product.

You, Ca cannist, produce 10 francs worth of goods. Your wage is 5 francs, i.e., 50 per cent. of the value of the product. If it is increased 2 francs, it represents 70 per cent. of the value of the product. The master is forced either to shut his works or to increase his prices, and this will diminish his markets and compel him to reduce his staff.

Your "Ca canny" is brought face to face with this alternative: it is impossible for your master to increase your wages without ruining himself, unless he raises the price of the article.

This increase results in diminution of sale, consequently, of manufacture : and the master is forced to dismiss one workman out of every three, and you, my Ca cannist friend, may be that one. Well, the master will do his best to find some machine that will increase production : that will be the best solution, though it, too, may bring about the dismissal of the Ca cannist, and leave him to join the ranks of the unemployed.

CHAPTER II

“ DIMINISH PRODUCTS IN ORDER TO INCREASE OUTPUT ”

MR. HENDERSON, President of the Labour Party in the House of Commons, speaking in Leeds, on October 24, 1908, indicated the method of abolishing unemployment : reduction of the hours of work, and the suppression of work on Saturdays ; a proposal was also made not to employ youths before the age of eighteen.

THE REGULATIONIST.—These are prudent measures, in my opinion ; the less people work, the more work there will be.

M. FAUBERT.—What an admirable formula ! But what is it you mean by the phrase : the more work there will be ?

THE REGULATIONIST.—I mean that there will be more work in demand.

M. FAUBERT.—Just what I expected. Then if we were to do away with steam engines and the

various machines that do work at a lower rate than manual labour, the remedy would be even more effective.

THE REGULATIONIST.—We are not the enemies of progress ; you are attributing to us ideas that are not ours.

M. FAUBERT.—I am sorry, but certain syndicates have recommended the boycotting of certain machines ; some trade unions have recommended that production be restricted. They were logical, but then, they were organizing unemployment, just as Mr. Henderson would like to encourage it.

THE REGULATIONIST.—How encourage it ? On the contrary, we must do our best to increase the demand for work.

M. FAUBERT.—Nobody sets people working for the sake of paying wages.

THE REGULATIONIST.—I must admit that, owing to our egoism and lack of social solidarity . . .

M. FAUBERT.—Then you believe that social solidarity consists in paying wages for work that is not needed ?

THE REGULATIONIST.—Not exactly that, still, something might be done. . . .

M. FAUBERT.—Something is being done by municipalities and by the State itself, when they organize more or less useless work-sheds in order to provide work.

THE REGULATIONIST.—You have not explained how Mr. Henderson would like to encourage unemployment.

M. FAUBERT.—Why is there such a thing as stoppage of work ?

THE REGULATIONIST.—Because products are not in demand.

M. FAUBERT.—Why are they not in demand ?

THE REGULATIONIST.—Because there is over-production.

M. FAUBERT.—No, it is because those who need certain products have no other products to give in exchange. The more you suppress work, the more you restrict production ; since products are exchanged for products, if there are fewer products on the market, there will be fewer products to exchange.

CHAPTER III

“ MACHINERY LOWERS WAGES ”.

IN 1849, when certain workmen attempted to wreck the railroad from Paris to Rouen, they were simply laughed at for their folly.

Everybody made jests regarding the rivalry between the old stage coach and the steam engine. All the same, railroads brought anxiety into the minds of many : conductors and postilions, hotel-keepers, etc., though assuredly they now provide far more work than stage-coaches and horse-traction would ever have done.

Besides this, they have given rise to industries which, for lack of transport facilities, would never have existed but for railroads. From 1834 to 1846, the cost of the carriage of a ton per kilomètre was

ten times as much as it is now. Not only was it dearer, but the slowness and irregularity of transport must also be taken into consideration. The strongest wagons along the highways could never have carried from place to place blocks of metal weighing a dozen tons.

The railway system has transformed the whole world. Where would you find any one so behind the times as to wish to suppress it ?

THE "SYNDIQUÉ."—All the same, I don't want machinery to take away my work and lower my wages.

M. FAUBERT.—Machinery increases wages !

THE "SYNDIQUÉ."—I bring against you the law of supply and demand : since machinery replaces workmen, there are more workmen thrown idle, and so they offer their work for less money.

M. FAUBERT.—That is what would happen, did machinery do away with work altogether, but the general activity throughout the world proves that machinery increases the demand for labour.

THE "SYNDIQUÉ."—Really, that is too bad !

M. FAUBERT.—You acknowledge you want many things you cannot buy.

THE "SYNDIQUÉ."—That is what I complain of.

M. FAUBERT.—Since machinery diminishes the cost price, it enables the dealer to offer his goods at a cheaper rate.

THE "SYNDIQUÉ."—That, too, is what I complain of when I think of the things I make myself.

M. FAUBERT.—Yes, but you make only one kind of goods, whilst you buy many kinds, and everybody is treated alike.

THE "SYNDIQUÉ."—I see what you are driving at; you want to persuade me that, though I am paid less, I shall be in a better position because I shall buy at a cheaper rate. You cannot deceive me by such reasoning.

M. FAUBERT.—Nevertheless, if you can buy for a franc what once cost you a franc and a half, the purchasing power of your wages has increased 50 per cent. But you are mistaken if you think this is what I wanted to prove. You acknowledge that cheapness increases the demand for an article.

THE "SYNDIQUÉ."—Again the law of supply and demand.

M. FAUBERT.—When you can buy half as many things again for the same sum, you are buying an additional 50 per cent., and you are increasing the market in that article to the extent of 50 per cent.

THE "SYNDIQUÉ" (quizzingly). — Unless I economize to that extent.

M. FAUBERT.—That would be even better, but we shall deal with this in a moment. You do not deny that if the purchasing power of your wage has increased 50 per cent., you can buy half as many products again; consequently, the output of the different producers, whose goods you buy, has increased 50 per cent., and they must produce more; that is, there is more work to do; and it is on this account that machinery which does away with some workmen, creates a demand for others.

THE "SYNDIQUÉ."—The same men could not do the work. Stage-coach drivers cannot drive railway engines.

M. FAUBERT.—Many a cabby nowadays becomes

a chauffeur. We are not living under the laws of the ancient Egyptians, when a son had to follow his father's trade.

THE "SYNDIQUÉ."—It is no pleasant prospect to run the risk of being forced to change your trade, if you are no longer young.

M. FAUBERT.—I don't deny it. But the important point for those who offer work is to find a buyer. Now, the more production increases, the greater the demand for work, in spite of machines, because human activity . . .

THE "SYNDIQUÉ."—Not at all, there will be over-production.

M. FAUBERT.—There is over-production if the demand does not meet the supply. But you see yourself that it is not the desire to consume, *the desire to purchase that is lacking, it is the power to buy*. Now, where do you get the power to buy ?

THE "SYNDIQUÉ."—From the wages the machine has robbed me of.

M. FAUBERT.—No, it comes from the products of your labour, for you have been receiving wages only for the finished articles you have produced from raw materials and through the tools placed at your disposal. It is not your work, but the results of your work, for which the manufacturer pays you. *Products can be exchanged only for other products ; the more products there are in the world, the greater the number of exchanges that are possible*. There is over-production of useful products only because those who would like to procure them have no products to give in exchange.

THE "SYNDIQUÉ."—Those who, instead of

buying, economize and lay out their money at interest, are not purchasers. They are encouraging over-production.

M. FAUBERT.—They are preparing for a rise in wages.

THE “SYNDIQUÉ.”—In what way?

M. FAUBERT.—J.-B. Say and Frédéric Passy proved this long ago. Let us suppose that 300,000 francs are spent on a mill, one-third for raw material, and two-thirds for wages. The manufacturer uses a machine that effects an economy of one-third. Will he leave idle the 100,000 francs thus economized? No, he will lower the price of his products in such proportion as he deems necessary to increase the sales; the result will be increase of consumption, increased output of goods, and a greater number of workmen employed.

THE “SYNDIQUÉ.”—Yes, until over-production brings about a stoppage of work.

M. FAUBERT.—I have already answered your objection. You would not expect a capitalist to keep his money in an old stocking.

THE “SYNDIQUÉ.”—No, he would keep it in a safe.

M. FAUBERT.—Do you think he hoards up gold and bank-notes in a safe? If he did so, he would lose interest on them. *Every capitalist, whether on a large or a small scale, is anxious for one thing only: that his capital bring him in a return.*

THE “SYNDIQUÉ.”—As great a return as possible, by exploiting labour.

M. FAUBERT.—That is beside the question for the moment. The capitalist wants his capital to be productive.

THE "SYNDIQUÉ."—What concern is that of mine ?

M. FAUBERT.—It concerns you most vitally. *Industry is limited by capital.* You cannot set up a mill, build walls and roofs, buy tools and machinery, without capital. Capital is needed to pay for raw material, to guarantee that workmen shall be paid their wages, even if their products are sold at a loss or even not sold at all. Any one who sinks capital in industry of any kind, creates a demand for work ; consequently, he contributes to a rise in wages.

THE "SYNDIQUÉ."—That does not prevent him from keeping wages down as much as possible.

M. FAUBERT.—Of course he does not allow a feeling of generosity to control his actions : that would ruin him. It is his business to receive, not to give. He works to earn money, like everybody else. *Gain is the object of industry.*

THE "SYNDIQUÉ."—By exploiting others.

M. FAUBERT.—It is very inconsistent of you to run down the development of machinery ; for machinery replaces manual labour, and does away with "the exploitation of man by man." You ought to be glad, when you see that it plays an ever-increasing part in production.

THE "SYNDIQUÉ."—It increases exploitation, since it lowers wages.

M. FAUBERT.—Facts prove that it increases wages. Does not a workman earn more now than he did fifty years ago ?

THE "SYNDIQUÉ."—Yes ; but he also spends more.

M. FAUBERT.—Even though most things are

cheaper in spite of the protectionists. That, however, is not the question. Machinery increases wages, because it increases the productive capacity of a man.

THE "SYNDIQUÉ."—In what way?

M. FAUBERT.—A workman, using a barrow with a capacity of one and a quarter cubic mètres, carries half a dozen cubic mètres of earth a distance of 100 mètres in the course of a day. A railway engine-driver can transport in a goods train 600 effective tons, a distance of 300 or 400 kilomètres. Evidently the engine-driver is capable of receiving a far higher wage than the workman, because the engine *makes his work more effective* than the barrow. This latter, too, is *far more effective* than the basket in which earth is carried about in certain parts of Italy, and the basket in turn is a means of transport superior to the human hand. How much would you pay for the work of a man who carried earth from one place to another in the hollow of his hand?

THE "SYNDIQUÉ."—You are joking.

M. FAUBERT.—Answer me. You would not pay him as much as you pay the man who uses a barrow.

THE "SYNDIQUÉ."—I should think not.

M. FAUBERT.—All the same, he would be giving himself more trouble.

THE "SYNDIQUÉ."—That is quite evident.

M. FAUBERT.—You acknowledge that he would be giving himself more trouble, and yet could receive only very small wages; and in doing so, you recognize the fact that it is not effort, *it is not work which determines wages, but rather it is the effect produced, the service rendered; and since machinery increases*

the efficiency of work, instead of diminishing wages, it increases them. This is proved by facts.

CHAPTER IV

“MACHINERY THROWS THE WORKER OUT OF WORK”

IN March, 1908, the workers at the Flancke weaving mill in Hazebrouck went on strike because they were opposed to the introduction of Northrop looms, which have long been in use in the United States. One person can attend to twenty Northrop looms, and the supervision is not a difficult matter. If a single thread breaks, the loom stops. The strike was still proceeding in the middle of September, whereupon the federation of cloth manufacturers decided to give both moral and pecuniary support to the works in question. The federation said quite rightly that they could not agree to be kept in a state of inferiority, to be deprived of the progress their rivals might attain to, which progress, too, was shown by the benefit acquired by the consumer.

On September 13, 1908, the *Journal des Débats* published the following despatch—

“Fougères, September 12.—For some days past, the question has been mooted of introducing new cutting machines into several shoe-making works. These machines, imported from America, when controlled by three persons, can do the work of nine hand-workmen.

“A meeting has been held, and the cutters have decided that they will not allow these new machines to enter a trade-union works. An open vote was taken, by which they decided to leave the works in a body and to declare a general strike at once, if any of the Fougères masters insisted on using these machines.

“In support of this decision, the general boot and shoe union obtained signatures to a protest manifesto.”

Our friend, M. Faubert, called upon one of the Fougères “SYNDIQUÉS,” and the following conversation took place—

M. FAUBERT.—So you don't want any new machines ?

THE “SYNDIQUÉ.”—What! Machines that throw the worker out of work!

M. FAUBERT.—And which give them work to do.

THE “SYNDIQUÉ.”—Ah! That's too bad!

M. FAUBERT.—When Arkwright took a patent for his first spinning machine, in 1760, there were, in England, 5,200 spinners who used a small spinning wheel, and 2,700 weavers, a total of 7,900 persons. Coalitions were formed against his machine and against that invented by Hargreaves.

THE “SYNDIQUÉ.”—The English were of the same opinion as I am, you see.

M. FAUBERT.—Yes, but they were mistaken, for these inventions did not throw workers out of work. In 1856, those employed in the spinning and weaving of cotton alone numbered 379,000; in 1874, they numbered 479,000; in 1901, the number was 482,000.

THE "SYNDIQUÉ."—All this does not prove that if the Northrop loom or new shoe-cutting machines are introduced, my master will not dismiss me.

M. FAUBERT.—For the time being, indeed, there may be a surplus of manual labour, and a certain amount of suffering may be incurred during the transition period.

THE "SYNDIQUÉ."—There! You confess it yourself. Well, I don't intend to run the risk of being sent away.

M. FAUBERT.—You run a far greater risk if you prevent the introduction of improved machinery and tools in the industry you are employed at.

THE "SYNDIQUÉ."—It's really too much. A machine arrives: it does away with two workers out of every three: I run the risk of being one of the two! Prove the contrary, if you can.

M. FAUBERT.—Suppose, by refusing the machine, you run the risk of throwing not two, but all three out of work, what would you say to that?

THE "SYNDIQUÉ."—I don't understand you.

M. FAUBERT.—You acknowledge that there are other works that make use of these machines?

THE "SYNDIQUÉ."—Yes.

M. FAUBERT.—And you acknowledge that these machines enable a reduction to be effected on the cost price.

THE "SYNDIQUÉ."—It is for that I find fault with them.

M. FAUBERT.—Consequently, they enable those manufacturers who make use of them to sell more cheaply than those who do not: therefore, they

create competition which those manufacturers who follow the old-fashioned methods cannot combat. A manufacturer produces in order to sell. No sooner are his sales limited than he diminishes his production, and consequently his workpeople: first, he dismisses one, then two out of the three; and if in the end he finds himself in such a condition that he can only sell at a loss, he shuts up his works, and all three workers find plenty of leisure to meditate upon the drawbacks of machines! Such is the risk run by "Syndiqués" who refuse to adopt the Northrop loom or the new shoe-cutting machine.

THE "SYNDIQUÉ."—We will impose a custom-duty to prevent competition.

M. FAUBERT.—So that is how you understand internationalism among workers: good. And you think boots must be dear, even though children, wives and friends go about wearing boots that let in water, do you?

THE "SYNDIQUÉ."—I must keep at work, above all else!

M. FAUBERT.—Still, even if in any district you prevent a works or a group of works from adopting these new machines, do you expect to apply such tactics in all the works in France?

THE "SYNDIQUÉ."—Yes; once we are organized.

M. FAUBERT.—So you want French industry to be more backward than that of other countries.

THE "SYNDIQUÉ."—Yes, if it is only thus that we can provide work for the workers.

M. FAUBERT.—You admit that, beyond the frontiers, any measures you may take in France itself will cease to be of effect.

THE "SYNDIQUÉ."—That only proves the necessity for the international organization of workers.

M. FAUBERT.—Would that do away with inventors? Would it treat them as enemies of the people, just as the silk-weavers of Lyons treated Jacquart, and persecute them, in the same way that orthodoxy persecutes heresy? Is that how you understand progress?

THE "SYNDIQUÉ."—To my mind, any invention that causes me to run the risk of being without work, is evil in itself.

M. FAUBERT.—So you have already said. Still, you admit that you cannot protect in other countries those products that cost more to make in France than abroad.

THE "SYNDIQUÉ."—I must admit that.

M. FAUBERT.—In 1907 France exported 5,000,000 francs worth of boots and shoes to foreign countries, excluding the colonies, where they are not subjected to protective duties. In the same year, cotton exports,—leaving the colonies, out of the question,—amounted to 232,000,000 francs. Now, this export of cotton goods and of boots and shoes represents wages to the extent of millions of francs. In 1901 the value of cotton tissue in the United States amounted to 340,000,000 dollars, and wages to 87,000,000 dollars in round figures, so that wages take up 25 per cent.

But then, they used the Northrop and Harriman looms. Still, I admit that French manual labour does not represent a larger proportion in cotton tissue. Well, then, 232,000,000 francs worth of

exports of cotton tissue represents 58,000,000 francs in wages. Add 2,000,000 francs for boots and shoes and we have 60,000,000 francs in wages. Reckoning the industries in which you work under such inferior conditions that exportation is impossible, you thus have 60,000,000 francs in wages that you are suppressing. This figure includes women's wages. If we reckon wages at an average of 1,000 francs per annum, we get 60,000 persons, whose wages you run the risk of abolishing through fear of losing your own wage, and it is quite possible you may be one of the 60,000.

CHAPTER V

“LET US BREAK UP THE MACHINES”

A FEW days afterwards the “Syndiqué” came up to M. Faubert with an air of triumph:—

Well! The Minister of Public Works is of the same opinion as myself. You are aware that manufacturers of tinned sardines tried to introduce soldering machines, but the workmen would not have them, so they destroyed the machines.

M. FAUBERT.—And they have been prosecuted?

THE “SYNDIQUÉ.”—Not at all. The Minister compelled the masters to recognize that the workmen were right, for on July 29, 1909, he forced them to capitulate in the following terms:—

Art. 2.—“The above-mentioned employers shall “not, until the end of the discussion necessitated

“by the drawing up of the contract, introduce any
“new machine into their works in the Concarneau
“district.

“The manufacturers whose machines have been
“destroyed shall introduce no new machine either
“into the Concarneau region or elsewhere.

“The undersigned shall do all they can to pre-
“vent their brother-manufacturer in the Concarneau
“district from introducing any other machine
“until the end of the discussion necessitated by
“the drawing up of the contract.”

M. FAUBERT.—Well, what does that prove. Merely that the manufacturers are fully conscious that they can hope for protection neither from the police nor from the law of the land, and therefore they have given in. Such a fact justifies the policy of violence adopted by the general Confederation of labour.

This official encouragement given to the destruction of machines ought to be set on record.

CHAPTER VI

“ IN ORDER TO ABOLISH STOPPAGE OF WORK, DOUBLE
THE WAGES ”

SPEAKING at Merthyr on October 19, 1908, Mr. Keir Hardie stated that in order to abolish stoppage of work, the wages of each workman should be doubled, because thus, his purchasing power will be doubled, he will buy double the quantity of goods,

and so there will be double the amount of work as a result.

M. FAUBERT.—But if I double wages, I shall have to double the advances of wages that capital is obliged to make.

MR. KEIR HARDIE.—You said that wages were paid by the consumer.

M. FAUBERT.—Yes, as a final resort, but capital advances the wages and guarantees that the work shall be paid for, whether the product is sold or not. Consequently, an increase of capital is necessary if wages are doubled; and since capital limits industry, the result is that, with the same capital, you must have one half fewer wage-earners: a most admirable way of doubling wages.

Besides, if you double wages in those products in which the work takes up from 60 per cent. to 70 per cent. of the value the cost price will increase in the same proportion. Now, the manufacturer fixes the price of the product by the cost price, for he cannot produce at a loss if he does not wish to ruin himself. The market price, however, is fixed not only by the needs of the consumers, but also by their purchasing power. Now, if the price of an object increases 60 per cent. or 70 per cent., the consumers' purchasing power is reduced in the same proportion. The result is that demand lessens.

MR. KEIR HARDIE.—But I have increased wages half as much again.

M. FAUBERT.—Then the purchasing power of the workmen whose wages have been increased half as much again, remains (with reference to those products whose cost price has been increased) in almost

the same proportion ; but besides this, we have to consider all those whose wages, etc., have not been increased. These latter will reduce their demands by nearly a half, and by doubling wages, Mr. Keir Hardie, you will have at least doubled the amount of that very unemployment it was your object to abolish.

CHAPTER VII

“ WORKMEN ARE RIGHT IN COMING OUT ON STRIKE, FOR THAT IS THE MEANS OF INCREASING THEIR WAGES ”

M. FAUBERT.—And you actually give utterance to such a sentiment, M. Joseph Prudhomme.

M. JOSEPH PRUDHOMME.—What I state is a fact.

M. FAUBERT.—Where have you seen this fact ?

M. JOSEPH PRUDHOMME.—In the reports of the *Office du travail*.

M. FAUBERT.—Let us look up the one that appeared in 1909 ; it gives the figures for the year 1907.

STRIKES FOR AN INCREASE OF WAGES.

	Number of Strikes.	Number of Strikers.	Average Wage before.	Average Wage after.	Difference.
Successes .	128	11,818	4 fr. 27c.	4fr. 68c.	0fr. 41c.
Compromises	252	54,653	4fr. 12c.	4fr. 50c.	0fr. 38c.
Failures .	257	25,875	3fr. 65c.	3fr. 65c.	—
	637	92,346	4fr. 08c.	4fr. 28c.	0fr. 26c.

M. JOSEPH PRUDHOMME.—You see, I was right.

M. FAUBERT.—Yes, in the case of 66,400 workers, but not for the other 26,000, the result being that 28 per cent. of the strikers have suffered a dead loss.

M. JOSEPH PRUDHOMME.—But then, what of the others ?

M. FAUBERT.—We shall have to inquire what the strike has cost them.

M. JOSEPH PRUDHOMME (in triumph).—Look at these figures—

	Number of Days on Strike.	Amount of Wages lost.	Average loss for each Striker.
		Francs.	Francs.
Successes . .	134,446	573,590	48.53c.
Compromises .	1,037,713	4,271,656	78.16c.
Failures . .	617,238	2,250,077	86.97c.
	1,789,397	7,095,323	71.22c.

M. FAUBERT.—Those who failed have met with the greatest individual loss.

M. JOSEPH PRUDHOMME.—Yes, but the gross profit for the whole of the strikers is 7,618,221 francs, deducting the failures.

M. FAUBERT.—No, simply ignoring them. The report states that the net profit, deducting lost wages, amounts only to 522,898 francs, a total of 5 francs, 66 centimes for each striker. The number of working days necessary to compensate for the losses is 274, practically a year, omitting Sundays and holidays.

M. JOSEPH PRUDHOMME.—Yes, but the report states that in the strikes whose results come under the headings of “successes” and “compromises,” the net profit for each striker is 74 francs 53 centimes and 34 francs 62 centimes respectively, and that this profit will compensate for the loss in 118 and 208 days respectively. Consequently, the total result is a profit.

M. FAUBERT.—208 days is a long time. Then, too, the word “successes” does not mean exactly what you would expect. After a strike, workmen obtain an increase of wages : granted ; but how have they increased the cost price of the product of their labour ? If this cost price is too high to bear the competition caused not only by other manufacturers but also by other products of a more or less similar nature, trade slackens, the manufacturer has to diminish or even stop production ; he dismisses his workmen, and the increase in salary that follows a strike ends in stoppage of work. The apparent, momentary gain ends in a definite, entire loss.

M. JOSEPH PRUDHOMME.—No mention of loss is made in the reports of the *Office du travail*.

M. FAUBERT.—Of course not. But just look at this report of a large English shipbuilding firm, the one that built the *Mauretania*, Swan Hunter & Wigham Richardson, Ltd. (March 2, 1909) :—

“Business has become very bad and prolonged “strikes have occasioned heavy losses. The lack “of knowledge and prudence on the part of those at “the head of the trade-unions, as regards navigation, “has never, to my knowledge, been greater than it is “now. This has resulted in large numbers of orders

“being given to other firms, though our yards could have done very well with them. A year ago, I told you that the condition of the shipbuilding industry had never been so bad for the past twenty years : the workers’ representatives refused to believe me ; now they see that I was saying nothing more than the truth.”

M. JOSEPH PRUDHOMME.—Why do you take your example from England ?

M. FAUBERT.—Because this report sets forth so clearly the consequences of strikes ; and here we are dealing with strikes provoked by English trade-unions, which certain French political writers set up against our syndicates, as models of foresight, wisdom and sagacity. As a matter of fact, their leaders have also done their best to bring about stoppage of work. They have obtained a minimum number of working hours along with a rest during the greater part of Saturday and the whole of Sunday and many rest on Monday also, to recover from the week-end’s relaxation ! Still, although the English workman is the most productive of all, he has either increased or prevented the lowering of the cost price of numbers of manufactured articles. Now, the lower the net cost of any industry, the more successful is that industry.

M. JOSEPH PRUDHOMME.—So we must lower wages.

M. FAUBERT.—No, the scale of wages must be regulated by the economic conditions of supply and demand. Increase of wages, extorted by sheer force, may end in the suppression of wages altogether. We may show pity for the unemployed, or attempt a system of insurance against unemploy-

ment, but there is only one serious insurance, and that consists in finding a market for the product.

CHAPTER VIII

“MASTERS WOULD NEVER RAISE WAGES, WERE IT NOT FOR STRIKES AND TRADE-UNIONS”

THE “SYNDIQUÉ.”—Tell me plainly, M. Faubert, would you ever raise your servant’s wages of your own accord? Will a master ever raise the wages of his workmen, except through fear of strikes or of the trade-union?

M. JOSEPH PRUDHOMME.—He is right, too, and I don’t see what answer you can give.

M. FAUBERT.—I will answer with arguments and facts.

M. JOSEPH PRUDHOMME.—Oh, yes, we know, you have an answer to everything.

M. FAUBERT.—How modest! Well, here are arguments; a bourgeois like myself wants good servants, so he prefers to choose them. In order to possess freedom of choice, he must pay them in such a manner that good servants want to enter his service, and once they are in it, not to leave it. It is the same in the case of a business man, whose interest it is to have good clerks and sellers; as also in the case of a manufacturer who needs workmen who know their trade and will respect the *morale* of their profession. Consequently, he will pay them good wages.

THE “SYNDIQUÉ.”—Yes, but the employers will pay even better wages, if strikes and trade-unions have increased the scale of payment.

M. FAUBERT.—If your argument is correct, then the strongest organizations, those that have recourse to strikes most frequently, might be expected to have obtained the largest increase of wages.

M. JOSEPH PRUDHOMME.—That sounds logical enough.

M. FAUBERT.—Do you think women have trade unions as strongly organized as the miners' unions? Have they had recourse to strikes as frequently as miners have?

M. JOSEPH PRUDHOMME.—No, indeed, but their wages are very low.

M. FAUBERT.—They have increased in far larger proportions than those of men.

THE "SYNDIQUÉ."—Now you are going to bring out your statistics again!

M. FAUBERT.—You welcomed them readily enough in support of your own views. According to Professor Levi, the following table shows the comparative rate of wage-advance between men and women in Great Britain, from 1866 to 1878:—

	Per Week.			
	Men below Twenty.	Men above Twenty.	Women below Twenty.	Women above Twenty.
	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>
1866	7 6	19 6	8 0	11 8
1878	8 0	21 9	9 0	13 8
Increase per cent. .	6 $\frac{2}{3}$	6 $\frac{1}{4}$	12	24

Thus, whilst men's wages during this interval of years increased less than 7 per cent., women's wages increased 24 per cent.

Now, men went in for strikes. In 1871 the law regarding trade-unions was passed. The women stood outside of this movement, and the increase of their wages was due to economic causes alone.

M. JOSEPH PRUDHOMME.—Why was the increase greater in the case of the women than of the men ?

M. FAUBERT.—Men have given up the trades in which they competed with women, because they have found a better market for their toil. The demand for women's work, though trammelled by legislation that claims to protect it, has become increasingly greater. The first thing a family does on attaining to a certain degree of comfort, is to take a servant.

An investigation made by Mr. Layton¹ shows that the wages of general servants in small English families amounted to £12 6s. 4d. in 1871, and to £18 in 1907 : an increase of 50 per cent.

The following table shows how the wages of women in service and manufactures have increased in England between the years 1853–1907. The absolute number is 100.

	Women Servants.		Years.	Women in Manu- factures.
	Private Houses.	Institu- tions.		
1853–1857 . .	58	69	1855	65
1858–1862 . .	60	68½	1860	72
1883–1887 . .	88	86	1883	98
1903–1907 . .	103	112	1900	100

¹ *Journal of the Royal Statistical Society*, 1908, p. 519.

This increase in servants' and workwomen's wages was brought about neither by strikes nor by trade-unions.

In the Memoranda of the Board of Trade (vol. 1, p. 263), the miners' wages are given as follows :

	Northumberland. Six hours per day.	South Staffordshire.
	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>
1872	6 1	5 0
1880	4 9	3 0
1890	5 9	4 4
1900	5 11	4 8
1902	6 7	5 4

In Great Britain, as in other countries, it is the miners who have the most active trade-unions, and who have had recourse to strikes most frequently. The increase of wages they have obtained is far inferior to that obtained by women who have no organized trade-unions, similar to those of men, and who have not, so far, acquired the habit of coming out on strike.

M. JOSEPH PRUDHOMME.—I should never have believed it.

M. FAUBERT.—Why not? Human work obeys the law of supply and demand, like every other value. When crops are bad, you make no objection to paying more for your loaf of bread; it is the same when two masters are running after the same workman, they are willing to pay him at a higher rate; but if two workmen are running after the same master, the latter will pay at a lower rate. Wages increase

only in case there is a great deal of work in demand ; that is, a large demand for service and products ; no one pays for work in itself. Work is valuable only by reason of the service and products that result therefrom.

CHAPTER IX

“ WORK IS THE STANDARD OF PRICE ”

THE FABIAN.—Adam Smith said that “ work is the standard of price,” so I suppose you acknowledge the fact, as an orthodox economist.

M. FAUBERT.—Excuse me, I will examine it. In the first place we must distinguish between mechanical and human work. In value, there are three elements : the cost price, the intensity of the need of the product or the service, and the consumer’s purchasing power.

THE FABIAN.—Consequently, I affirm : “ Work must be the standard of price.”

M. FAUBERT.—It certainly enters, of necessity, into the cost price ; and as a manufacturer cannot work at a loss, work is a factor in the price.

THE FABIAN.—That is not what I mean. I say that there should be established a just and fair scale of wages on which the price will depend.

M. FAUBERT.—Nothing easier. A workman’s wage can be fixed at ten francs a day, for instance, or even at twenty.

THE FABIAN.—I see that we are of the same mind.

M. FAUBERT.—But if his wage enters to the extent of 70 per cent. into the price of the object, that price must be raised in proportion to the raising of the wage.

THE FABIAN.—Certainly, work must be the standard of price.

M. FAUBERT.—But then, we shall have to persuade the consumer that he must pay for the object at the price determined by “the fair scale of wages.”

THE FABIAN.—We will prevent selling below the fixed price, either by law or by the use of labels, and a certain amount of boycotting.

M. FAUBERT.—But the consumer will not buy an article, the price of which has thus been raised.

THE FABIAN.—He will be compelled, since he cannot obtain it at a lower price. Suppose he finds the article indispensable ?

M. FAUBERT.—Everything is not alike indispensable ; but suppose there are some things the consumer must purchase, the proportion of his money he will be compelled to devote to this object will not be disposable for other things.

THE FABIAN.—That would be a pity for him, but, before all else, the workman must be in a position to live on his wages.

M. FAUBERT.—Good, but then, every one has only a limited sum to spend ; consequently, if a portion of his purchases absorbs a greater part of his money than before, he either buys smaller quantities or altogether deprives himself of certain things.

THE FABIAN.—The workman was deprived of certain things before this.

M. FAUBERT.—I need not remind you that the

workman works only to consume, and if he obtains less satisfaction for his money, he too suffers deprivation.

THE FABIAN.—But we have raised his wages.

M. FAUBERT.—The thing to consider is : does the proportion remain the same ? At all events, you must confess that, if he is to receive the fair scale of wages you have fixed upon, some one must employ him.

THE FABIAN.—Evidently.

M. FAUBERT.—Now, if, through the rise in price you have obtained, the consumers are forced to do without a third of the articles they consumed, or would have consumed at the economic scale of wages resulting from the free play of the law of supply and demand, the production will be diminished by a third ; consequently, if you have obtained a “ fair wage ” for certain workmen, you have dismissed all who contributed to the third of that production which can no longer find a market ; and the “ fair wage ” you have obtained has abolished the wages of all employed in the production of that third. You have fixed upon a privileged wage for those who work, but you have deprived of wages those whom the rise in cost price has deprived of work. It is stoppage of work and poverty that you have organized for them.

THE FABIAN.—A proof that the wage-system must be abolished.

CHAPTER X

“ PROFIT-SHARING ”

PROFITS do not come from work, they come from the conditions and the direction of enterprise.

M. Barthou, in his speeches, said that any allotment of mines would imply a share in the profits. He modified his principles in his bill.

The following is what would have happened :— There are two mines near each other ; one bringing in handsome dividends, the other, for divers reasons, working at a loss. The workmen expend the same amount of labour and effort on both. Why should the miners of the one receive twice or three times the wages of the others ? Their capacity has had nothing to do with the different results.

An author produces a book which sells in large numbers and brings in a large financial return to both author and publisher. Does the type-setter see anything of the profits ?

In the same printing works appears a book on economic science. Instead of benefiting the publisher, he may lose money over it. Will the type-setters have to bear the consequences of the failure ?

On December 31, 1902, the board of management of the United States Steel Corporation sent round a circular letter to their 168,000 workmen of all classes and grades, stating that they had set aside from the year's profits a certain sum for the purchase of 25,000 preference shares which the workmen might buy at the price of \$82, 50c. They were divided into six classes : those who received

\$20,000 and above could not subscribe for more than 5 per cent. of their salary, whilst those who received \$800 or below could subscribe to the extent of 20 per cent. of their wages.

The offer was a very tempting one. The guaranteed cumulative income is 7 per cent. At the price offered, the rate came to nearly $8\frac{1}{2}$ per cent. The subscriber received his interests immediately, whilst he was allowed three years in which to pay up his shares; the unpaid instalments paid only 5 per cent., so that he had even on these a clear profit of 2 per cent. If he kept his shares for five years and remained in the service of the Corporation, he received a bonus of \$5 per share for each year. This was nearly 7 per cent. added to the interest on his investment at $8\frac{1}{2}$ per cent., constituting a guaranteed income of nearly 16 per cent. The gift was indeed a splendid one, and yet there were only 27,000 of the whole 168,000 who took advantage of it.

For the first eleven months of 1902 the preference shares remained above the figure at which they were offered, but in December they fell to 79. They recovered, but from the following June they gradually declined, until in December they were quoted at $51\frac{1}{2}$.

“The steady fall of the shares,” said Mr. Moody, “has created much discontent amongst those who subscribed for the preference shares in 1902.”

On January 1, 1904, the securities were again offered under the same conditions, the price, however, this time being \$55 per share, instead of \$82, 50 c.: more favourable conditions. Moody says that the exact number of men who

took advantage of the offer is not known. The result was quite different from what the directors expected. They had made the strange mistake of imagining that an industrial concern is always certain to be prosperous.

Again the shares rose, but in 1908 they went down once more. In 1909 they were up again. Such fluctuations, however, only show that these shares are not first-class securities ; in fact, speaking generally, one might truly say that there are none in the world of industry.

Again, the system adopted by the United States Steel Corporation presents another difficulty. Let us, for the moment, suppose that the 168,000 employés of every grade had all taken up shares.

In October, 1903, a quarter of the works was closed ; 4 per cent. of the employés were dismissed and at the same time 10 per cent. of the men employed in the works, and 50 per cent. of those in the mines. Had all these workmen taken shares, they would have had the right to claim the dollars promised to all who had been in work for the last five years and kept their shares : for it was not their fault if they left the works.

The report for November, 1903, read : " The statement includes a diminution of wages to the extent of 30 per cent., caused by reductions and dismissals." Now, the wage-earner who had subscribed for shares might have said : " I might have paid for the shares with the wages I was receiving ; now, I cannot do so at the reduced scale, so I am forced to sell ; but what price shall I get for them ? "

The directors of the United States Steel Corpora-

tion had forgotten that no industrial works can guarantee that it will always keep the same workmen and at the same rate of wages.

Nor ought manufacturers to take under their control the savings of their workmen, any more than they would presume to control their intellectual or moral, political or religious life.

BOOK VIII

SOCIALISTIC POSTULATES

CHAPTER I

“PRESENT-DAY INEQUALITY IN WEALTH IS GREATER THAN IT WAS IN PAST CENTURIES”

THE MARXIST.—You cannot deny that “inequality in wealth is greater now than it was in past centuries.”

M. FAUBERT.—We will examine the statement. All the same, there was greater inequality between a Roman slave who was owned by another man and had nothing whatever of his own, and a proconsul like Lucullus, than between a poor wretch who is assured of board and lodging from the Board of Charity, and Rockefeller.

There was a greater difference between a serf and his master who affirmed his rights by the words: “All I have and am entitled to have,” and a lord like the Duke of Burgundy or the King of France, than between our present-day rulers, the powerful millionaires and even a professional out-of-work, who receives help of all kinds.

THE MARXIST.—But there are still people who die of hunger, and there is greater inequality between

Rockefeller and such an one than between the powerful lords of the Middle Ages—who were all more or less in debt,—and the most wretched of their serfs.

M. FAUBERT.—With this difference, that the proud and mighty lord could have hanged the serf at his own sweet will, whilst Rockefeller has not the right to hang any one. Amongst the anarchist hordes of the inhabitants of Tierra del Fuego and other savage races we find the same kind of inequality: the stronger are allowed to oppress the weaker.

THE MARXIST.—But then, there are no millionaires.

M. FAUBERT.—I acknowledge that equality of misery exists amongst all those whose only wealth consists of a few skins, a stick or a lance, living a hand-to-mouth existence. Would you have us return to that stage? Is that your ideal?

CHAPTER II

“ INCREASED PRODUCTIVENESS OF WORK REDUCES THE WAGES OF THE WORKING CLASSES TO AN EVER SMALLER FRACTION OF THE SOCIAL PRODUCT ”

RODBERTUS-JAGETZOW, born 1805, died 1875, was a representative of the great estate of Pomerania in the Prussian Parliament, an out-and-out Conservative, bitterly opposed to freedom of every kind. Nevertheless, he had ideas on economics which he

set forth in publications that appeared in 1837, 1842 and 1850, whilst Karl Marx's *Capital* appeared only in 1867; and in spite of the protests of Karl Marx and his followers, it may safely be affirmed that all the errors of so-called scientific socialists may be found in germ in the works of Rodbertus.

M. Emile Chatelain, Professor of Philosophy at the College of Nancy, states that Rodbertus's works centre round the following formula: "Increased productiveness of work reduces the wages of the working classes to an ever smaller fraction of the social product."

What is "the social product"? What is the word "social" doing here? There are such things as agricultural products, metallurgic products, and textile products. Who has ever seen the "social product"? Has it been on view at any exhibition?

At the same time, M. Emile Chatelain declared that he was determined "to rid political economy, once for all, of an intolerable, flagrant sophism." This was how he styled the following formula of Bastiat: "In proportion as capital increases, the absolute share of capitalists in their total products increases, and their relative share diminishes. The workers find their share increase in both respects. Each formula is a case of *à priori* reasoning. Have we any documents at present, by which we can check their correctness? After a little quibbling, M. Emile Chatelain admitted that the necessary verification might be obtained from the industrial census of the United States. The following result was obtained:

Column 1. Years.	2. Capital in Million Dollars.	3. Value of Products in Million Dollars.	4. Number of Wage-earners in Thousands.	5. Wages, in Million Dollars.
1890 . .	6,525	9,369	4,251	1,891
1905 . .	13,872	16,866	6,152	3,014
	+7,347	+7,497	+1,901	+1,123

Column 6. ¹ Production Expenses other than Wages, Mil- lions of Dollars.	7. Total Income, Millions of Dollars.	8. Capital Revenue, Millions of Dollars.	9. Wages in Dollars per Workman.	10. Rate of Capital Revenue.
5,793	3,576	1,485	442	22·7
11,148	5,718	2,714	490	15·6
+5,355	+2,142	+1,229	+ 48	-7·1

Thus, the capital revenue diminished by 22 per cent., and the wages per workman increased 11 per cent.

¹ Subtracting production expenses (Column 6) from the value of the products (Column 3), we obtain the total income.

Subtracting the wages (Column 5) from the total income (Column 7), we obtain the capital income.

Dividing the wages (Column 5) by the number of wage-earners (Column 4), we obtain the wage of each workman.

Dividing the capital income (Column 8) by the capital (Column 2), we obtain the rate of interest.

They would have increased to a greater extent had not the share of capital in production expenses increased.

In 1890, however, wages amounted to 20 per cent. of the value of the products, whilst in 1905 they only came to 17 per cent. Consequently, they had diminished, the follower of Rodbertus will say.

Reduced to its simplest expression, the formula of Rodbertus means that machinery will lower wages and throw workmen out of work. Machines will become increasingly productive; they will be supplied by capital and will produce for capital. Manual labour will receive less and less.

Rodbertus imagined,—and M. Chatelain does so still,—that all progress which has for its consequence to diminish the proportion of work put into a product, is depriving the workman of his work.

Everywhere we find that facts show how erroneous is this theory. The progress in tools and machinery in the United States has not deprived wage-earners of their work, for their numbers increased 44 per cent. between the years 1890 and 1905, and the amount of each man's salary increased 11 per cent.

M. Chatelain's sophism starts from the following postulate: "Capital sunk in industry increases in greater proportion than the numbers of the workmen. From 1890 to 1905, it increased at the rate of 112 per cent.; consequently, in the total income, it ought to have a greater share than wages."

This theory would be correct were capital not in need of employment, and if increase of capital did not call forth a demand for work.

Listen to what Bastiat says : “ In proportion as capital increases, the absolute share of capitalists in the total products increases, and their relative share diminishes. The workers find their share increase in both respects.” This is the sophism that M. Chatelain finds so intolerable.

The facts, just quoted, prove :—

1° That if the absolute share of capitalists increases in the total of the products, their relative share diminishes, since the rate of income diminishes.

2° That in contradistinction to capital, whose income diminishes per unit, on account of industrial development, the wage of the unit of work, the worker, for instance, increases.

3° That if the total share of wages diminishes in relation to the value of production, the value of the unit increases.

Consequently, increased productiveness of work does not throw men out of work or lower wages. Facts prove how false is the assertion of Rodbertus and justify the formula laid down by Bastiat.

CHAPTER III

“ THE RICH BECOME RICHER, AND THE POOR, POORER ”

THE MARXIST.—Karl Marx and Engels, in the *Communist Manifesto* of 1847, foretold the concentration of capital in the hands of the few, whilst the lower middle classes would sink into the ranks of the workers.

M. FAUBERT.—Yes ; but it did not take place.

THE MARXIST.—What ! Not take place ? Look at the great banking establishments, the American trusts.

M. FAUBERT.—Have they ruined the small capitalists ?

THE MARXIST.—Certainly.

M. FAUBERT.—So you claim that there are fewer landowners and capitalists nowadays than there were in 1847.

THE MARXIST.—That ought to be the case.

M. FAUBERT.—It is not, however, according to one of the heads of the German socialist party, M. Bernstein, the executor of Engel's will.

THE MARXIST.—Bernstein was literally pulled to pieces at a congress.

M. FAUBERT.—Did any one refute the facts he brought forward ? It could not be done, and his opponents did nothing more than prove their scorn for truth.

THE MARXIST.—He is serving the interests of the *bourgeois*.

M. FAUBERT.—No one has ever denied the truth of the facts he stated ; facts which more recent events have confirmed.

The income-tax in Prussia allows one to form some idea of the changing condition of wealth, better than in any other country. In 1854, out of a population of 16,300,000 inhabitants, there were 44,407 persons enjoying an income of 1,000 thalers (150 pounds sterling).

In 1891, a graduated income tax, the *Einkommensteuer*, was established in Prussia : those with an

income below 900 marks (forty-five pounds sterling) are exempt from taxation. It may be taken for granted that a certain number do not declare a portion of their income, in order that they may remain below the limit. All the same, the following year, those tax-payers with an income of more than 900 marks numbered 2,437,000, and their income amounted to 5,704,000,000 marks.

In 1906 they numbered 4,675,000, an increase of 91·8 per cent. in four years; whilst their income rose to 10,750,000,000 marks, an increase of 80 per cent.

This difference between increase of income and that of the number of tax-payers shows that the diffusion of wealth was 11 per cent. more than its increase, so that concentration did not take place.

This movement became still more marked in 1907: the number of tax-payers had risen to 5,391,000, that is, 716,000 more, or 13 per cent.; the amount of the income rose to 11,748,000,000 marks, an increase of 13·71 per cent. over that of the preceding year. Including families, the tax-payers represented 16,652,000, instead of 14,604,000 the previous year. Does this increase, confirm or belie Karl Marx's prediction?

THE MARXIST.—My party is determined to remain faithful to the teachings of Karl Marx.

M. FAUBERT.—Dogmas.

THE MARXIST.—A party cannot exist without a faith.

M. FAUBERT.—Even in error?

THE MARXIST.—These are *bourgeois* statistics you have brought forward.

M. FAUBERT.—That does not matter ; but what is of importance is whether they are true or false. Now, the figures I have just given you have the sanction of the income-tax behind them, so they are far more likely to err on the side of being too small.

THE MARXIST.—Your statistics apply only to one country.

M. FAUBERT.—I have chosen the country which gave birth to the socialism of Marx, and where, by reason of their fiscal character, there is a greater degree of precision about them than could be found anywhere else. But then, you will find the same results everywhere.

THE MARXIST.—Besides, you attribute to Karl Marx a phrase which did not originate with him but rather with a Frenchman, M. Victor Modeste.

M. FAUBERT.—True. There is a shade of difference : Karl Marx claimed not only that the rich are becoming richer, but also that the middle class would speedily sink into poverty. As Modeste's formula is both clear and simple, that is the one people remember.

THE MARXIST.—And not a bad one, either.

M. FAUBERT.—Do you know where M. Victor Modeste found it ? Turning over the records of the Board of Charity, he noticed that the same families kept appearing, generation after generation. This was the origin of his antithesis. The conclusion to be drawn from the fact is quite a different one. It proves that those who are under the protection of the Board, accustomed to live on it at a minimum of personal effort, make no attempt either to free

themselves or their descendants. Regarding themselves as receiving an income from the Board, they consider the latter has duties to perform towards them, in exchange for expressions of servility and whining submission on their part.

CHAPTER IV

“ FINANCIAL FEUDALISM ”

M. JOSEPH PRUDHOMME.—And yet you will not deny that financial feudalism exists.

M. FAUBERT.—I am aware that, in a democratic government like France, governments and majorities have been found willing to set up or to strengthen a monopoly, though joint stock companies have been a considerable element in the diffusion of money. Formerly a large firm might have been in the hands of a family of bankers, manufacturers or business men, but in the present days of limited companies, a servant girl of an economical turn of mind, may purchase shares or bonds and benefit by the profits of some gigantic enterprise.

The diffusion of wealth is proved by facts. In France there are 8,500,000 land-owners, most of them heads of a family. Multiplying by four, the average number of a French family, we have 34,000,000 direct or indirect landowners out of a total population of 39,000,000.

According to M. Neymarck, railway bond certificates are divided as follows¹ :—

¹ Statistical Society of Paris, March 19, 1902, and March 18, 1903.

354,731	from 1 to 24,	or a capital of 460 frs. to 11,040 frs.
137,681	„ 25 to 100,	or a capital of 11,500 frs. to 46,000 frs.
18,419	„ 101 to 199,	or a capital of 46,460 frs. to 91,540 frs.
8,869	„ 200 to 499,	or a capital of 92,000 frs. to 229,540 frs.
1,261	„ 500 and above,	or a capital of 230,000 frs.
<hr/>		
520,961		

Nearly 95 per cent. of the shares are owned by holders of a maximum of 100 shares. The whole of the French Government stock is split up amongst over 5,000,000 persons. The average gives an income of about 150 francs (6 pounds sterling) representing a capital of 5,000 francs (200 pounds sterling). Over 80 per cent. belong to men who derive from them an income of from 2 to 50 francs. The number of holders is over 2,000,000.

Out of 69,000 shareholders in the *Crédit Foncier* in 1900, 32,767 held ten shares or less.

The small deposits in Savings Banks continue to increase :—

Year.	Number of Accounts.	Balance due to Depositors, December 31.
1882	4,645,893	1,802,400,000 frs.
1892	8,084,435	3,843,800,000 frs.
1900	11,767,772	4,433,400,000 frs.
1905	12,134,000	4,654,000,000 frs.
1908 (January 1)	12,828,500	4,976,400,000 frs.

It is well known that no account in the Savings Bank may be over 1,500 francs (sixty pounds ster-

ling). In 1907, the average account was 387 francs.

Savings Bank depositors are, if you like, only aspirants to capitalism, but they are becoming more and more numerous, in spite of the pauperization foretold by the Socialists, and still affirmed by them.

CHAPTER V

“THE DEFEAT OF CAPITALISM”

ON October 23, 1908, Mr. Will Thorne, an English M.P., recommended the unemployed to plunder the bakers' shops, if they were hungry.

He was prosecuted, but bail was allowed and he had to find two securities for good behaviour during twelve months. However, I wish to examine Mr. Thorne's advice from the economic standpoint only. Let us take for granted that the police were out of the way and the unemployed enabled to plunder the shops at their own sweet will; what benefit would they have got thereby?

Some would have had bread; there would have been a great deal of bread lost and spoiled; the weakest would have had to do without bread altogether. But what of the morrow?

The following day, certain bakers would have put up their shutters and would not have made any bread; others would have made it “on the quiet,” just sufficient for their customers; and the result of Mr. Thorne's advice would have been the famishing not only of the unemployed, but also of the whole

of London's inhabitants. The former might have had the bitter satisfaction of knowing that they were not the only ones without bread ; but would they have had any more themselves on that account ? As bread would have become very scarce, only the wealthy could have obtained it.

Besides, this fine piece of work would have added a certain number of workmen bakers to the army of unemployed.

The outrage on freedom would have multiplied unemployment in every direction. *Security is the first condition of production.*

If the head of a firm is not certain of working at a profit, he ceases production ; instead of engaging more work, he gets rid of the workmen he already has ; and when there are thousands of the same way of thinking, a general stoppage follows.

Now, neither the English nor the French Government has yet gone so far as to authorize the plunder of the bakers' shops. But they are far from enabling capital to feel secure.

If capital is rather doubtful about security, it emigrates, seeks State investments that offer a certain guarantee, and does not scatter itself in the form of wages : any government that frightens away capital is organizing unemployment.

Socialists wish to abolish the accumulation of capital. They succeed in the case of some men who say to one another : " What's the good of running risks and worrying myself to death in order to increase my wealth, when all the time I am being informed that it is to be confiscated by taxes and succession duties until a general upheaval takes

place. Instead of earning money, I will squander it. Socialists may be glad: they are destroying capitalism and giving workmen the right to idleness, a right made famous by M. Paul Lafargue.

CHAPTER VI

“ BETWEEN WEAK AND STRONG, IT IS FREEDOM THAT OPPRESSES AND THE LAW THAT LIBERATES ”

M. FAUBERT.—I know that saying of Lacordaire, the Dominican friar. In uttering it, he was faithful to the traditions of his order which, as it assumed the honour of putting the Inquisition into practice in Spain, has always regarded freedom as an enemy.

THE REGULATIONIST.—You are mixing the religious with the social problem.

M. FAUBERT.—No, I have the right, however, to find out the traditions professed by those whose authority is most readily invoked by Socialists of all kinds. Frequently, they do not care for quotations from their classics.

THE REGULATIONIST.—It does not matter who originated the phrase, if it is true.

M. FAUBERT.—You are right, that is the main thing.

THE REGULATIONIST.—Is not the law useful in protecting the weak ?

M. FAUBERT.—Whom do you regard as the weak ?

THE REGULATIONIST.—The worker with respect to his master. Are they both on a footing of equality ? The master can wait, the worker cannot.

M. FAUBERT.—From that point of view, you should demand the intervention of the law with the object of compelling the master to give work to every one who asks him for it.

THE MARXIST.—That is impossible. It is on that account the social Revolution is necessary.

M. FAUBERT.—But do you think a master can wait for ever? Can he wait if he has crops rotting in the fields? If he is a fish dealer, can he keep his goods for ever on his counter? Suppose he has capital sunk in a works; can he leave it idle? suppose he has orders for goods; is it a matter of indifference to him whether or not the goods are delivered at the date agreed upon? Suppose he has bills falling due; can he afford to be indifferent to them? Both master and man may be pressed by need, but the latter can go away or do something else which the master cannot do, as he is tied down to his works. The freer of the two is not the master, bound down by many and varied obligations and responsibilities.

THE REGULATIONIST.—Yes, but the master can always sit down to a good dinner, whilst the worker may not have even a crust of bread.

M. FAUBERT.—That is driving things to extremes; still, it is possible enough.

THE REGULATIONIST.—Consequently, there is no equality between master and man.

M. FAUBERT.—Has there ever been absolute equality between two contracting parties? It is almost invariably the case that one has greater need to sell than the other to buy, or *vice versa*. Is that a reason for doing away with contracts?

THE MARXIST.—Yes, and putting collectivism in their place.

M. FAUBERT.—Then you think everybody will be on an equality in a state of collectivism. Such an article of faith is contradicted by universal experience.

THE REGULATIONIST.—At all events, inequality may be mitigated by passing laws to limit the hours of work.

M. FAUBERT.—You may cause a man to work less and produce less ; the question is, has the master greater need of the man than the man has of him ? If so, it is the master who is the weaker of the two. Is it to him that you will apply the phrase at the head of this chapter ?

THE REGULATIONIST.—No ; Lacordaire was thinking of the worker not of the master.

M. FAUBERT.—Granted. Still, Marxists are continually saying that “ *bourgeois rights* ” and “ *bourgeois legislation* ” are always oppressing the working classes. The whole history of their theory contradicts Lacordaire’s saying.

THE MARXIST.—True ; but when we have attained to political power, we shall change all that.

M. FAUBERT.—By oppressing others.

THE MARXIST.—For us, that is freedom.

CHAPTER VII

“ THE WORKMAN SHOULD OWN THE INSTRUMENTS
OF HIS TRADE ”

THE SOCIALIST.—Evidently, since the workman does not own his tools, it is our object to put down the whole of the capitalistic system.

M. FAUBERT.—Do you think that the Lyons silk-weaver, in spite of his skill, his long training and a perfect mastery of his trade, is as well paid as a workman who has nothing to do beyond attending to a turning or planing machine ?

THE SOCIALIST.—No.

M. FAUBERT.—Well, the Lyons silk-weaver is the possessor of his own loom.

CHAPTER VIII

“ WE MUST DO AWAY WITH PROFITS ”

MR. KEIR HARDIE.—For the system of production for gain, we must substitute that of production for use.

M. FAUBERT.—You are not the first who has thought so. M. Charles Gide, too, thinks that manufacturers nowadays should become disinterested officials and functionaries. I must repeat what I have already said : If you do away with profits, you do away with the spirit of enterprise.

Every commercial transaction ends in a difference which is called either a profit or a loss. Do away with the hope of gain, and you abolish trade altogether.

MR. KEIR HARDIE.—All the better.

M. FAUBERT.—All industry is brought to an end.

MR. KEIR HARDIE.—All the better.

M. FAUBERT.—Then what will happen ?

MR. KEIR HARDIE.—What will happen is that each will work for all ?

M. FAUBERT.—And that no one will work for anybody.

BOOK VIII

TAXATION

CHAPTER I

“ IN ORDER THAT EVERY ONE MAY CONTRIBUTE ACCORDING TO HIS MEANS, TAXATION MUST BE PROGRESSIVE ”

THE SOLIDARIST.—There can be no doubt on this point : for 50 francs deducted from an income of 1,000 francs cannot be borne so lightly as 1,000 francs deducted from an income of 10,000 francs.

M. FAUBERT.—What will be the limit in your scale of progression ?

THE SOLIDARIST.—Whatever I think reasonable.

M. FAUBERT.—Then it depends on the pleasure of public bodies, who may go to the length of confiscation.

THE SOLIDARIST.—Taxation should be a means of redress. It should make the wealthy pay off the debt they owe society.

M. FAUBERT.—Society owes more to a Bessemer than it has given him ; it owes more to a financier who has brought together the capital needed to carry on a useful enterprise, than he owes to it, however great his profits may have been.

THE SOLIDARIST.—At all events, his children have had nothing more to do than just be born !

M. FAUBERT.—You begin by claiming progressive taxation for the establishing of due proportion in the fiscal burdens of the citizens, and now you want to turn it into an instrument of confiscation. Your own words condemn you.

CHAPTER II

“ TAXATION MUST BE OF A MORALIZING NATURE ”

M. JOSEPH PRUDHOMME.—I am in favour of moralizing taxation ; I would tax alcohol and absinthe so heavily that no one would drink them.

M. FAUBERT.—In that case, your taxation would merely encourage smuggling.

M. JOSEPH PRUDHOMME.—Smugglers will be prosecuted.

M. FAUBERT.—A premium on smuggling manufactures criminals ; that would be a certain result of moralizing taxation.

M. JOSEPH PRUDHOMME.—But I should be doing something to check the curse of alcoholism.

M. FAUBERT.—Not at all ; you would only be adding one evil to another. You cannot prevent a man from drinking, if he wants to drink. The only thing is, you make him pay dearer for it, and the dearer you make him pay, the more you deprive him of the money needed for board and food and clothes, both for himself and his family.

CHAPTER III

“ THE INCOME-TAX IS THE MOST JUST OF ALL TAXES ”

M. JOSEPH PRUDHOMME.—The income-tax is the most just of all taxes.

M. FAUBERT.—But suppose I have no income ?

M. JOSEPH PRUDHOMME.—You won't be taxed in such an event.

M. FAUBERT.—Yes, I shall, unless I confess to a certain income. But if I own that I have an income above the minimum on which no taxation is paid, then they will tax me, and yet I might have no income after all. It sometimes happens that a manufacturer works for whole years together at a loss, that a business man realizes no profit at all, or that a farmer is the victim of drought or of an excessive rain-fall.

M. JOSEPH PRUDHOMME.—What of the landowner ?

M. FAUBERT.—You think a landowner spends nothing on his land. Suppose I have a plot of ground that brings me in 3,000 francs per annum and I build new stables that cost me 6,000 francs. That is two years' income gone.

M. JOSEPH PRUDHOMME.—Still, there are securities with fixed income, such as Government stock, City of Paris Bonds, *Crédit Foncier* and railroad bonds.

M. FAUBERT.—You hold such securities and so do I. But then, my poor fellow, you are suffering under a great delusion if you think you have a fixed income.

M. JOSEPH PRUDHOMME.—Don't I know well enough that I shall receive 3 per cent. per annum for my Government stock ?

M. FAUBERT.—When did you last buy Government stock ?

M. JOSEPH PRUDHOMME.—At the end of December, 1897.

M. FAUBERT.—What price did you pay ?

M. JOSEPH PRUDHOMME.—103 francs 10 centimes.

M. FAUBERT.—Did you sell it again ?

M. JOSEPH PRUDHOMME.—Yes, at the end of December, 1906.

M. FAUBERT.—For how much ?

M. JOSEPH PRUDHOMME.—95 francs 25 centimes.

M. FAUBERT.—7 francs 85 centimes less in nine years, a difference of 87 centimes each year. Therefore, you must deduct these 87 centimes from your 3 francs income, so that your fixed income is not 3 francs, it has been only 2 francs 13 centimes all along. If the Treasury had taxed you 4 per cent. on 3 francs, you would have paid 12 centimes on 2 francs 13 centimes, and the 4 per cent. tax would have risen to 5·68 per cent.

Nor is this the worst. Listen to what happened to me. In 1905 I bought 3 per cent. stock at 99, and sold it a year afterwards at 95 francs 25 centimes, a loss of 3 francs 75 centimes. I received my 3 francs interest, but the sum was swallowed up by the loss on my capital and I am 75 centimes short.

Consequently, if we had had an income tax, it would have been levied not only on an income smaller than the fixed one I had reckoned upon, but even on a deficit : I have had a loss of 75 centimes and

I should have had to pay 4 per cent. on 3 francs, that is, 12 centimes I should have been forced to add to the sum. For having had the misfortune to buy 3 per cent. stock at the end of December, 1905, the Government would have compelled me to take 12 centimes from my capital to pay the income tax, though instead of giving me an income, it had already inflicted a loss on me to the extent of 75 centimes!

M. JOSEPH PRUDHOMME.—You don't sell Government stock!

M. FAUBERT.—But then, if it goes down, you are selling rather than buying.

M. JOSEPH PRUDHOMME.—Again that cursed law of supply and demand.

M. FAUBERT.—Yes, it applies to every kind of security. Thus, at the end of December, 1898, I bought a first-class security, a Northern Railroad bond, for which I paid 478 francs. I was obliged to sell it again on July 20, 1909, for 447 francs, a loss of 31 francs.

The bond paid me 15 francs annually, i.e. 150 francs for the 10 years. Subtracting 31 francs, it brought me in 119 francs, i.e. 11 francs 90 centimes per annum, or only 2·38 per cent. instead of 3 per cent.

But with the 4 per cent. tax on the income from personal estate, in reality I received only 13 francs 42 centimes, instead of 15 francs per annum, i.e. 2·24 per cent. I received therefore 134 francs; on the sale, I lose 31 francs. There remains 103 francs spread over 10 years, giving 10 francs 30 centimes per annum, or rather more than 2 per cent.

M. JOSEPH PRUDHOMME.—And what is your conclusion?

M. FAUBERT.—That there is no fixed income ; for if the capital that produces it varies in value, the income increases or diminishes accordingly. Income is nothing more than a slice of the capital.

CHAPTER IV

UNEARNED INCREMENT MUST BE TAXED

MR. LLOYD-GEORGE.—The landowner stays in bed or takes a trip to the Riviera. Meanwhile, tramways and railroads are built ; town or hamlet is being embellished with tax-payers' money ; the lucky landlord contributes his quota, but that is not sufficient. Besides, people flock to the hamlet and they want land. The landowner takes advantage of the rise in price that results. He must give back to the community a portion of the profit he draws from it, and we impose a tax of 20 per cent. on the increased value of the property, the result of its position, not of any work introduced by the landowner.

M. FAUBERT.—Are you sure the landowner has had no part in the increased value given to this property ? He may have shown foresight and intelligence in buying this land instead of some other, and the increase in value represents the reward for his shrewdness. Perhaps for many years past he has contented himself with a trifling income, in the expectation that this increase in value would come about. His patience has brought about its due

result, and now you wish to deprive him of a portion thereof.

MR. LLOYD-GEORGE.—The gain he is obtaining constitutes a sufficient reward. I am taking only one-fifth.

M. FAUBERT.—You are expropriating him to that extent, a proportion which might be increased. In France, however, expropriation in a case of public service can only take place with the help of the law. You are expropriating by fiscal measures and under administrative authority, for it is the court that would decide upon any claims made by the tax-payers, as a last resort.

MR. LLOYD-GEORGE.—That does not trouble me; though, all the same, I have had to alter this part of my scheme.

MR. HAROLD COX.—I bought a piece of land for £400 and sold it for £500, an increase of 25 per cent. in value. I am exempt from taxation. I bought a piece of land for £500, and sold it for £600; my increase in value is only 20 per cent., a fifth instead of a quarter as in the preceding case. In proportion, therefore, it is less, and yet I have to pay to the Treasury £20, i.e. a fifth of the increase in value, whilst in the former case I had nothing to pay.

MR. LLOYD-GEORGE.—But you have a larger piece of ground.

M. FAUBERT.—Yes, it is the system which causes wealth to be considered an offence, and therefore meriting the infliction of a fine; but if, instead of selling my land for £500, I had sold it for £510, I should have had to pay for the increase in value,

unless the extra £10 had been handed to me "on the quiet." This fiscal system encourages the idea of cheating the Treasury. However detestable it be from the moral, it is even worse from the economic point of view.

Everybody will try to diminish the apparent value of his property. In order to have the increase in value paid, the Chancellor of the Exchequer causes the whole of the landed property in Great Britain to undergo a decrease in value. Such an upheaval will have to receive the attention of statisticians. I cannot understand a government setting a premium upon the fall in value of the property of the country.

MR. LLOYD-GEORGE.—These arguments do not affect me.

M. FAUBERT.—I believe the system was practised in Turkey and in a few other countries. Whenever a person seemed to have acquired a certain degree of wealth, the pacha would say to him: "You must give me my share." Thereupon the person considered that it was not worth while trying to obtain a profit only to be robbed of it more or less; hence resulted a condition of resigned and disastrous apathy.

MR. LLOYD-GEORGE.—Englishmen are not Turks.

M. FAUBERT.—All the same, you seem to regard them as such.

MR. HAROLD COX.—If it is not a crime to make a profit in ordinary transactions, will you tell me how it becomes one when we are dealing with the sale of landed property?

MR. LLOYD-GEORGE.—Have not certain econ-

omists affirmed that land is not like any other capital, but occupies quite an exceptional standing ?

M. FAUBERT.—True, but they have been in the wrong.

MR. LLOYD-GEORGE.—Besides, I am not deducting superior value from agricultural land.

MR. HAROLD COX.—Suppose crops are bad in Canada, the United States and Russia, whilst I happen to have a good harvest. The price of corn rises, I have nothing to do with the increase in price : it brings about an increase in the value of my land ; will this increase be taxed ?

MR. LLOYD-GEORGE.—No.

M. FAUBERT.—Agricultural land also may increase in value, by reason of its position, without any interference from the owner. A railway is run close to the property ; beforehand, there had been no market for the milk and fresh vegetables it might have produced ; now its value is increased by reason of the existence of the railway.

MR. HAROLD COX.—You tax the profits realized by a landowner on the sale of his land ?

MR. LLOYD-GEORGE.—Yes.

MR. HAROLD COX.—Why don't you tax the corn-dealer, who makes a profit on the sale of corn, the coal merchant who does the same on the sale of coal, and the poultry dealer who benefits by selling chickens ?

MR. LLOYD-GEORGE.—That is not the same thing . . . there is personal action on the part of the seller.

MR. HAROLD COX.—The seller may have bought

corn, coal, or poultry at a time when they were cheap. Suppose the harvest is bad and corn rises in price, it is not the fault of the London corn-dealer if the crops in Nevada are a failure. The threat of war raises the price of coal ; the coal merchant has nothing to do with such a rumour, and yet he profits by the increased value resulting therefrom. Suddenly there is a great demand for chickens, because certain industries have become active, profits have been great, and improved methods of living take place in certain circles. The poultry dealer raises his prices all the more readily from having done nothing to contribute thereto. Do you deduct anything from the profits of these various dealers ?

No government can make a distinction between what is due to the general advance of mankind and what the personal effort of the individual is responsible for. Each one of us realizes a considerable increase in value, by reason of all the wealth acquired by the rest. The instruction we have received is superior to that of our ancestors owing to all the discoveries and inventions made before our time and all around us, without our contributing anything thereto. To-day my salary procures for me coffee, sugar, chocolate, linen, and handkerchiefs cheaper than my grandfather could have bought them. That is an increase in value which enables me, with the same amount of money, to attain to a greater degree of comfort. Therefore I receive a considerable increment in effort to which I have contributed nothing. For a few pence I can travel under conditions of speed and comfort that not even a prince could have commanded less than a century ago.

What delicate instrument will enable legislators to distinguish between active and passive gains? Those at the head of public offices seldom seek after truth for itself; and even if they did, they could not determine the exact limit separating what each one has acquired exclusively by his own efforts from what he has received at the hands of others. Problems of this kind may serve as academic arguments which are of no practical utility, and have the serious defect of spreading abroad the erroneous idea that many people dream themselves into good fortune. They perpetuate the idea of grace and of favour, in contradistinction from that of effort and knowledge. They give rise to the notion that as property is nothing but a matter of chance, the "submerged tenth" have the right to redress the wrongs of fate; and if legislators declare they have this right, according to what principle should they punish thieves who endeavour to turn to their own advantage the injustice of fortune?

BOOK IX

PROPHETIC PREJUDICES

CHAPTER I

“ POLITICAL ECONOMY HAS HITHERTO BEEN CONCERNED WITH PRODUCTION ; IT OUGHT NOW TO CONCERN ITSELF WITH DISTRIBUTION ”

M. FAUBERT.—Are you certain of that ? To my mind economists have studied distribution, when investigating the phenomena of exchange.

THE SOCIALIST.—What we want is “ distribution established in conformity with the rules of justice.”

M. FAUBERT.—An artificial distribution.

THE SOCIALIST.—Of such a nature that there may no longer be either rich or poor.

M. FAUBERT.—You acknowledge that the rich will not allow themselves to be fleeced without protesting.

THE SOCIALIST.—That is a matter of indifference to us ; we have numbers and strength on our side.

M. FAUBERT.—You are preaching confiscation.

THE SOCIALIST.—Call it what you like.

M. FAUBERT.—Let us examine the consequences. Prince Kropotkine, the anarchist, proposes to share

out amongst the masses all houses and flats consisting of five rooms ; but he forgets to ask if there will be sufficient of this kind to house everybody. If there are not enough, though they may take possession of all there are, they cannot all be housed in them.

THE SOCIALIST.—The rest will be housed with the money supplied by the confiscation of capital. All that is needed is a stringent decree.

M. FAUBERT.—Yes, to destroy capital ; but to produce it is a different matter. “ Let us suppose,” said M. J. Novicow, “ that Mr. Pierpont Morgan, this year, has an income of 83,000,000 francs. His property is confiscated. Distributed amongst all his fellow-countrymen, each one receives a franc. Next year, however, Mr. Pierpont Morgan cannot earn 83,000,000 francs to distribute amongst his fellow-mortals, for his property has now been confiscated. At most, he can earn his living as a clerk in some collectivist administration or other.”

M. Labriola wonders what will become of capitalists when their profits are taken from them. They will shut up their works and mills, and sink into a state of poverty ; but then, will their workmen be any the richer ?

One year the cotton crop reaches a total of 12,000,000,000 kilograms. The following year, if it is 1,000,000,000 or 2,000,000,000 kilograms short, it is said to have failed, and efforts are made to keep it up to, or even above, the level it has already attained. The 12,000,000,000 kilograms of products have been used up. If the cotton growers do not feel sure that they will reap the benefits of this culti-

vation, they will give it up ; and M. Labriola will no longer be able to buy himself a shirt !

As a matter of fact, the earth's surface does not supply sufficient material to feed, clothe, and house decently the 1,600,000,000 inhabitants existing thereon. The problem to solve is : how are we to increase production ? This latter alone will diminish privation and poverty ; whereas spoliation of whatever kind, whether public or private, checks the development of production.

CHAPTER II

THE RIGHT TO IDLENESS

M. PAUL LAFARGUE.—There's a *bourgeois* theory for you. I, too, demand the right to be idle.

M. FAUBERT.—You are not the first to do so.

The descendants of the Romans, after conquering the world, claimed the right to idleness and pleasure, *panem et circenses*, regarding themselves as legitimate heirs of their ancestors' heroism.

Aurelian, the conqueror of Zenobia and Firmus, inflexible to the point of cruelty for any breach of military discipline, sent from Egypt to the Romans an edict in which he said :—"Take your delight in games and in the chariot races in the circus. Public affairs are our business ; pleasure is yours."

On returning to the capital his triumph was attended by eight hundred gladiators, who were afterwards to fight in the arena, whilst animals of all kinds appeared in the procession. He undertook the regular distribution to the Roman people not

only of corn, but also of crowns of bread made of fine flour, each weighing two pounds, of twelve ounces each.

This, it appears, was the equivalent of former distributions. He now added an ounce to the weight of the bread; this was paid for by a tax he imposed upon Egypt.

In a letter reproduced by Vopiscus, he congratulates himself on his generosity: "*Ne que enim populo romano saturo quidquam potest esse*" (No people could be more agreeable than the Romans, after a good feed.)

To keep the people in good humour, Aurelian added to the above a distribution of pork. He even thought of giving them wine to drink. The prefect of the Praetorium, however, remarked that, if he did so, he would soon have to add fowl to the wine.

Succeeding emperors continued this policy, increasing the weight of the bread to three pounds. Though Aurelian hesitated about the wine for the above-mentioned reason, all the same, on three occasions, he made a distribution of clothes; he gave out white tunics with sleeves, a sign of effeminacy, linen tunics from Africa and Egypt, and even handkerchiefs which a citizen could wave about in the Circus instead of his toga.

At the same time he publicly burnt the State credit deeds in the Square of Trajan.

Whilst accustoming the Roman people to live regularly on this general embezzlement, he prosecuted and punished occasional embezzlers of public money.

Mr. J. St. Loe Strachey, in his book *Problems and*

Perils of Socialism, quotes the following passage from Dr. Hodgkin's *Italy and her Invaders* :—

“Of all the forces that were at work for the destruction of the Roman world, none is more deserving of the careful study of an English statesman than the grain largesses to the populace of Rome. Whatever occasional ebbings there may be in the current, there can be little doubt that the tide of affairs in England and in all the countries of Western Europe, as well as in the United States of America, sets permanently towards democracy. Will the great democracies of the twentieth century resist the temptation to use political power as a means of material self-enrichment? With a higher ideal of public duty than has been shown by some of the governing classes which preceded them, will they refrain from jobbing the commonwealth? Warned by the experience of Rome, will they shrink from reproducing, directly or indirectly, the political heresy of Caius Gracchus, that he who votes in the Forum must be fed by the State? If they do, perhaps the world may see democracies as long-lived as the dynasties of Egypt or of China. If they do not, assuredly now as in the days of our Saxon forefathers, it will be found that he who is a giver of bread is also lord. The old weary round will recommence, democracy leading to anarchy, and anarchy to despotism, and the national workshops of some future Gracchus will build the palaces in which British or American despots, as incapable of rule as Arcadius or Honorius, will guide mighty empires to ruin amidst the acclamations of flatterers as eloquent and as hollow as the courtly Claudian.”

CHAPTER III

“EVERY COUNTRY IS MARCHING TO PROTECTION
AND SOCIALISM ”

THE COLBERTIST.—All nations are coming to protection, so, you see, it is I who am right.

THE MARXIST.—All nations are coming to socialism, so, you see, it is I who am right.

M. FAUBERT.—And so, I suppose, the earth no longer turns round the sun ?

THE COLBERTIST and the MARXIST.—Where is the connexion ?

M. FAUBERT.—When Galileo affirmed that the earth turned round the sun, he was the only one of that opinion.

THE COLBERTIST and the MARXIST.—Now, everybody . . .

M. FAUBERT.—Are you quite sure ? Besides, if numbers were to be the criterion of truth, then truth would be on the side of the Buddhists.

M. JOSEPH PRUDHOMME.—I thought they numbered only 400,000,000 or 500,000,000, whereas the population of the globe is over 1,600,000,000.

M. FAUBERT.—You are right. As a matter of fact, they form a minority ; the protectionists form even a smaller one ; and as for the socialists, what are their numbers in the very countries in which they cause the most trouble and noise ? In Germany they number 3,200,000 voters ; in France, 800,000 ; in Great Britain, the Labour Party, represented at the Congress of 1908, consisted of 1,072,413 members ;

in the United States, they number less than 500,000. Let us suppose that, with their wives and children, they reach a grand total of from 25,000,000 to 30,000,000 persons, even then, have they all the same creed, is there unity of faith and control, are not the national groups split up into sub-groups, hostile to one another?

Do their leaders set an example of that harmony which is to reign throughout the world on the morrow of the social revolution? Is it not a fact that personal questions play a large part in their political classings and their discussions?

THE MARXIST.—True, still they are united against *bourgeois* society.

M. FAUBERT.—To which they mostly belong. They are all candidates for capital, some of them are quite important moneyed men by birth. At the same time, they are invariably grim individualists, for it is easy to see how passionately they affirm their right to priority in such and such an opinion; they proclaim aloud personal sympathy and antipathy, and are desperately bent upon bringing about the triumph of their own ideas.

THE MARXIST.—A proof of their strength.

M. FAUBERT.—And a condemnation of their conception of socialism. They show by their own example that their "barrack and convent" ideal becomes increasingly incompatible with the development of the forces of individualism.

It is the same with protectionists. Are the nations so thoroughly isolated that international trade is diminishing? By no means. In spite of the falling away in 1908, it may truly be said that trade

is still increasing. If exchanges are becoming more and more important, then we must come to the conclusion that protectionists have not succeeded in preventing them. Savants and engineers, manufacturers and bankers, all of them when endeavouring to reduce prices, are either modifying or doing away with custom-duties. The Compound machine has upset every calculation upon the expenses of transports. The protectionist, like a modern Sisypus, finds it useless to be continually setting up obstacles ; they are broken and battered down with every improvement and invention in the world of industry. Devoting his whole activity, as he does, to the building up of petty barriers against scientific and industrial progress, he is perpetually condemned to defeat.

CHAPTER IV

CONTINGENCIES

M. JOSEPH PRUDHOMME.—You may be right at bottom, M. Faubert ; but you are in the wrong when you attack protection and socialism. They are more powerful than your arguments, more powerful than . . .

M. FAUBERT.—Than truth.

M. JOSEPH PRUDHOMME.—Yes ; consequently, it is useless to attack them. We must take contingencies into account and adapt ourselves to them.

M. FAUBERT.—You mean that we must give in to those who are in the wrong.

M. JOSEPH PRUDHOMME.—Certainly, when we can do nothing else.

M. FAUBERT.—We must raise falsehood and lying into a system.

M. JOSEPH PRUDHOMME.—Lying has always been one of the mighty weapons of government.

M. FAUBERT.—You speak like Machiavelli.

M. JOSEPH PRUDHOMME.—I have never read him.

M. FAUBERT.—But you are of the opinion that we ought to respect interested prejudices when propagated and upheld by the clever and unscrupulous.

M. JOSEPH PRUDHOMME.—We ought to reconcile ourselves to them.

M. FAUBERT.—Are you acquainted with Article 405 of the Penal Code, the one dealing with swindling ?

M. JOSEPH PRUDHOMME.—Only vaguely.

M. FAUBERT.—Listen to the substance of it . . . “ Whosoever . . . by employing fraudulent methods in order to persuade others of the existence of unreal enterprises, imaginary power or credit, or to give rise to the hope or dread of success, accident, or any other chimerical event, has caused to be handed over or delivered, money, furniture, bonds, stipulations, notes, receipts or discharges. . . . ”

M. JOSEPH PRUDHOMME.—I don't see the connexion.

M. FAUBERT.—Are not protectionists, on the one hand, and socialists, on the other, using fraudulent manœuvres when they persuade their fellow-citizens

that they possess secrets for the artificial production of wealth and happiness ? In acting so, are they not boasting that they possess power and credit that are altogether imaginary, are they not giving rise to the hope or dread of success, accident, or any other chimerical event ? Has not M. Georges Sorel demonstrated that a general strike is nothing more than a myth for the serious, though a most effective instrument for the exploiting of the simple-minded ? And by these different methods, do not the leaders obtain money and public offices and even become legislators ? . . . Yet you think we ought to take all this quietly, with folded arms, M. Joseph Prudhomme, do you ?

M. JOSEPH PRUDHOMME.—That's what everybody does, when there is nothing else to be done. Nowadays no one dares to call himself a free trader. Socialism, too, is officially professed everywhere. It is firmly seated in the government, and men sincerely think they are showing their liberalism when they try to adapt socialism to present-day legislation. Manufacturers declare they are socialists, but that their socialism is of the right kind.

M. FAUBERT.—You are quite right, M. Joseph Prudhomme, it is not violence that is dangerous, but rather that socialistic endosmosis which is continually eating into our brains, our institutions and our customs. We put up with privileged and class politics ; regarding it as perfectly natural that men, guilty of crimes committed during a strike, should be neither prosecuted nor condemned, but rather pardoned or included in an amnesty. So you think we ought to give in and hold our peace ?

M. JOSEPH PRUDHOMME.—Such is the policy of wisdom.

M. FAUBERT.—No ; it would mean nothing less than political and social dissolution.

THE END



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