

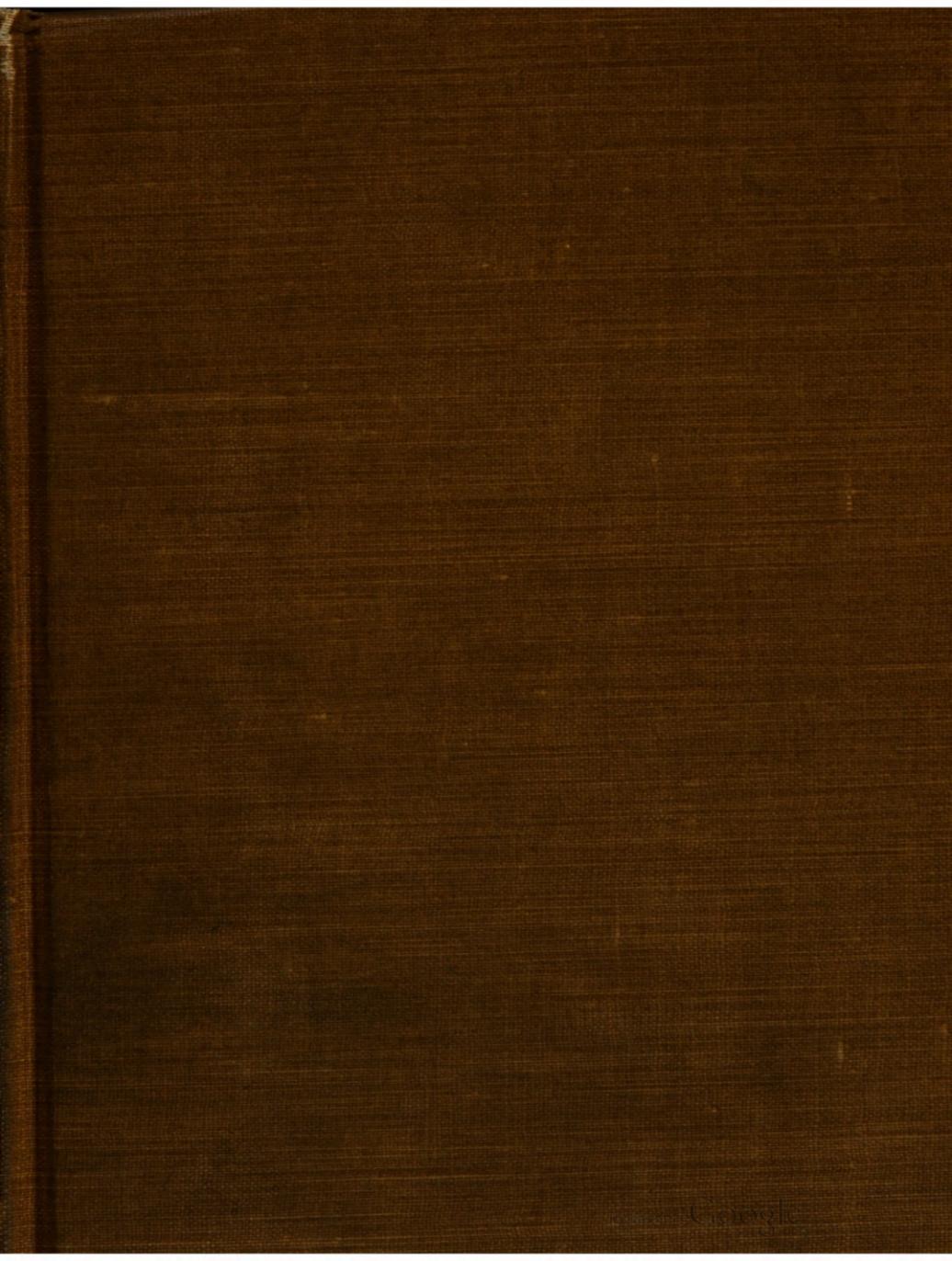
---

This is a reproduction of a library book that was digitized by Google as part of an ongoing effort to preserve the information in books and make it universally accessible.

Google™ books

<http://books.google.com>





THE LIBRARY OF



CLASS 320.4

BOOK L32







10028  
173

# FUNCTIONS OF GOVERNMENT.

A DEVELOPMENT OF PRINCIPLES THAT NECESSITATE  
THE EXISTENCE OF GOVERNMENT.

ALSO

A CONSIDERATION OF CERTAIN FUNCTIONS RELATIVE  
TO CERTAIN MATTERS IN RESPECT TO WHICH OUR NATION-  
AL, STATE AND LOCAL GOVERNMENTS HAVE  
BEEN GUILTY OF NONFEASANCE OR MAL-  
FEASANCE TO AN EXTENT THAT AC-  
COUNTS FOR OUR PRESENT CONDI-  
TION OF INDUSTRIAL DEPRESSION.

BY  
FRANK D. LARRABEE.

1897:

KIMBALL & STORER Co., PRINTERS,  
MINNEAPOLIS, MINN.

COPYRIGHT 1897,  
BY  
FRANK D. LARRABEE.

TO THE  
ALCOHOL  
WASHER

4  
L32

# CONTENTS.

CHAPTERS	PAGES
I. INTRODUCTION, . . . . .	1-7
II. THE QUESTION STATED, . . . . .	8-13
III. RIGHTS OF INDIVIDUALS IN SOCIETY WITHOUT A GOVERNMENT, . . . . .	14-19
IV. THE POSITION OF ANARCHISTS UNTENABLE, . . . . .	20-22
V. THE POSITION OF SOCIALISTS UNTENABLE, . . . . .	23-28
VI. THE FIRST FUNCTION OF GOVERNMENT, . . . . .	29-40
VII. THE FIRST DUTY OF GOVERNMENT UNIVERSALLY NEGLECTED — CONSEQUENT EVILS — REMEDY, . . . . .	41-50
VIII. LIBERTY, . . . . .	51-58
IX. MONOPOLIES, . . . . .	59-86
X. MONEY — ITS EVOLUTION, . . . . .	87-108
XI. MONEY (CONTINUED) — ECONOMIC EXPEDIENTS AFFECTING THE VOLUME OF MONEY, . . . . .	109-124
XII. MONEY (CONTINUED) — GOVERNMENTAL ERRORS, . . . . .	125-153
XIII. MONEY (CONTINUED) — FREE COINAGE, . . . . .	154-173
XIV. TAXATION, . . . . .	174-205
XV. CONCLUSION, . . . . .	206-220

1 Oct. 1908 6.50

54815

TO VISITING  
ALGERIANS  
WARRIORS

# Functions of Government.

---

## CHAPTER I.

### INTRODUCTION.

No other territory of equal area is more highly favored by nature than that of the United States. Extending into both the warm and cold latitudes and from the Atlantic to the Pacific, with richness of soil, varying altitudes and a salubrity of climate unsurpassed, nearly all of the most useful forms of animal and vegetable life, even if not indigenous, find a fitting place of abode within its borders, and may be produced in great abundance.

Not only may all necessary, as well as most forms of animal and vegetable life be produced here abundantly, but upon the surface and locked up in the bosom of the earth, within the reach of man, there is an unlimited supply of water, coal, iron, oil and nearly all, if not all, of the useful minerals and metals.

No such strong, healthy, industrious and intelligent people of equal number ever before existed in the

world as now in the United States. They are a new nation, produced by the commingling of the blood of many nations, and by a law of nature greater than any of the constituent nations.

There never was a period of activity anywhere in the world approximating that in the United States within the last thirty years. Nowhere has there ever been such appliances and means of production, including transportation, as are here now.

The *form* of the United States government is generally admitted to be better than that of any other considerable nation. It is certainly well adapted to support a government with sufficient efficiency to protect the rights of its citizens and maintain them equal, with reasonable economy.

But notwithstanding we have had no general calamity of earthquake, disease, or war; notwithstanding the fact that the sun continues to shine, the rain to fall, and the winds to blow; notwithstanding our form of government, our natural advantages; notwithstanding that ours now is a higher civilization than ever before graced the world, still here in the United States there is neither *general* prosperity in industrial matters nor happiness of its people, but, on the contrary, general adversity and unhappiness.

This lamentable condition of things exists notwithstanding the country as a whole is only sparsely settled. There is, practically, no limit to the population that the United States may sustain. When we consider that the whole present population of the United States, and more besides, could be domiciled and wholly sustained within the borders of any one of several of the single states of the United States, we can form some conception of the almost unlimited population that the United States is able to support.

This condition has not suddenly come upon us, but by degrees, through a course of years so long that many, despairing of success, have become professional beggars and tramps. A large element of our population, still willing and anxious to work, not yet without hope, not yet professional tramps, is unable to obtain employment, or, at the most, only at rare and irregular intervals. Another large element is at work for others, but the members thereof receive as compensation barely enough to enable them to supply themselves and their families with the necessaries of life, but not enough to enable them to better their own condition or to educate their children. For years this last class has increased in numbers faster in proportion than population has increased; and from this

class the army of the unemployed is recruited, and it in turn recruits the army of tramps.

There has been, and still is, another large army of men engaged in business for themselves, but dependent for patronage upon those already mentioned; and as the condition of their patrons has gradually grown worse, so have they gradually made less and less, lost more and more, and from their ranks men have continually fallen into the ranks of those dependent upon others for their employment, destined to become tramps.

So it is up through the different grades. Some evil, or evils, existing, the lowest grade of men first felt the effects, and thereafter different grades suffered in regular order, from the lowest toward the highest, a large majority of our people being affected.

The evils have not been suffered without complaint, but at no time were the complaints of those of any grade believed or heeded by those of upper grades; but instead those who made the complaints were called "calamity howlers" or other reproachful names; the existence of any evil was denied, and the condition of those who complained was charged to their own folly.

While the presence of any evil was denied by many, there was little hope of relief; but now that a majority have experienced the injurious effects, and the exist-

ence of the evil is acknowledged by them, there is hope. The best sign of the times is that it is now admitted by a majority of our people that something is wrong, for there is, of course, an equal demand that the evil be determined and remedied.

The nature of the evil is still an issue. As many remedies are suggested as there are different ideas of the evil. That general permanent prosperity and happiness will not return until the true remedy is applied, must be evident to all. The subject of paramount importance, then, to this nation is the discovery of the exact nature of that which has brought about these hard times, its cure, or its removal.

In trying to solve a problem that involves the perpetuity of our institutions and the happiness of mankind, it seems needless to say that all should be unprejudiced, unbiased, unselfish and impartial, as in no other state of mind can the truth be ascertained, or recognized if discovered.

Even those who may have benefited by the sufferings of others should realize that for selfish reasons alone they should not oppose a solution of the problem, for in the end their best interests would be subserved. It cannot be supposed that a government will be perpetuated under which a people as intelligent as those of the United States suffer considerable injustice.

If what has already been said is true, that our lamentable condition is not attributable to any stinginess of nature, to any evil in the *form* of our government, to any difficulty inherent in our people, the fault, then, must be in the government itself as administered. It must be that not enough laws are administered or that those that are administered are bad laws. The condition must be the result of *nonfeasance* or *malfeasance* upon the part of our government.

By a solution of the question what the government should do and what it should not do—that is, what are the proper functions of our government—and by a comparison of the answer with what has been and is being done by our government as administered, the evils that have caused our troubles will become clear, and a remedy can be applied. Then if the government lives up to its best knowledge, a repetition of ills from the same causes at least will not occur, but, instead, our people will go forward in the enjoyment of all those blessings so bountifully spread by nature.

It is not contemplated to treat exhaustively of the functions of government, but only sufficiently to discover the main evil, or evils, which have caused our present condition, and to suggest the course to pursue to avoid a repetition of the same errors. This is done in the belief that if we put into practice what we shall

discover, that, though we may make other slight mistakes, no other evils await us of sufficient importance and influence materially to retard or deflect us in our march of progress.

## CHAPTER II.

### THE QUESTION STATED.

There are people who contend that government is neither necessary nor desirable. They are, therefore, called anarchists.

There are others commonly called socialists; these are diametrically opposed to the view of the anarchists, and contend that not only is government necessary and desirable, but that a government should exercise the usual functions, and in addition thereto employ all labor and manage all industries.

The existence of any government is declared an evil by the anarchists, while the failure by government to supplant the individual in the employment of labor and the management of industries is declared by the socialists to be a grievous mistake.

Others less radical, taking a position between these extremes, contend that every society should have a government, thus differing from the anarchists; but differing also from the socialists, they deny that it would be desirable to have that government exercise all of the functions that socialists maintain that it should exercise.

So far as the writer's information extends, neither the opinions of the anarchists nor the socialists ever have been or now are dominant, but instead every considerable society has had, and now has, some government; but no government ever has been or now is conducted upon complete socialistic principles. In this respect, there is no difference between the past and the present. As a resultant of these opposing views the course of every government is between the extremes; while every government does much, it leaves much to be done by the individual.

Owing to this contrariety of opinion, there are under all civil governments at least two political parties; and as long, at least, as people differ in opinion as to what the proper functions of government are, so long will there be two political parties, one with anarchistic, the other with socialistic tendencies; one striving to lessen the powers of government, one to increase them; one opposed to the existing administration, one supporting it.

In the United States these two political parties are now called the Democratic and the Republican. The main characteristic of the Democratic party is, and ever has been, its opposition to the centralization of power; it has ever advocated the preservation of much power in the hands of the people, and the exercise of

but comparatively little by the government. The Republican party, on the contrary, has ever sought to increase the power of the central government.

Neither party has at all times been rational or consistent, but the Democratic party has been generally anarchistic in its tendencies, while the Republican party has been generally socialistic. Our legislation is the resultant of these two opposing forces. There is no presumption that the legislation has been right, or that either party has been right. No one will assert that our government in all things has been judicious.

Before we consider what the proper functions of government are, it must first be determined whether or not the anarchists are correct—whether or not any government should exist. Then, should it be determined that government is desirable, the question properly arises, what is its proper course? Are the opinions of the socialists correct, or does the wise course lie between these extremes? If so, where is its exact location, and what landmarks may be established to guide a government? What should it do and what should it leave for the individual to do? What, if anything, has government to do with land? What is its concern with money? Should it operate the railroads and telegraphs? Should it supply gas and water to cities? If the city should not buy and sell fuel should

it weigh and measure it for the buyer and seller? Should the government interfere with trade? How are the expenses of government to be borne?

These specific questions indicate to a certain extent the nature of the inquiry, what are the proper functions of government? We seek a principle that will enable us to answer the foregoing and similar questions that may arise in the operation of any government, if it be determined that governments are necessary or desirable.

It is self-evident that all power exists originally in the people. Government is created by the people, and whatever powers it possesses are delegated to it by the people; the more the power vested in the government the less remaining in the people to be exercised by them in their individual capacities; then certainly in determining the proper functions of government, we determine the *rights* of the *people* as against the *duties* of the State.

The question is one of transcendent importance; it concerns every individual. Should a government fail to do what it ought to do, not only the property, but the very life of every citizen may be endangered. Should it do more than it ought, it may deprive its citizens of that liberty most essential to progress. The destiny of the human race depends upon the conduct

of government. Though even the preservation of all knowledge depends upon the conduct of government upon scientific principles, it is an acknowledged fact that the science of government has not kept pace with the other sciences.

The importance of the question asked must be realized to arouse that interest necessary to a proper solution of it and induce obedience when solved.

In this country, when government action has been proposed, people have been content to ask of its constitutionality. But the question asked is not simply a question of what the government may constitutionally do, as constitutions are now formed, though there is great latitude for action within the lines of our present constitutions, but rather the question seeks the correct course of government regardless of present constitutions and under constitutions only that are absolutely correct.

In the United States, before the creation of the general government, sovereign states existed, but in creating this government, by adopting the federal constitution, the states surrendered certain powers and vested them in the general government. The general government may constitutionally execute any of the powers thus given to it by the states, and none other. The present states of the Union have written

constitutions, and a state government may constitutionally do everything the power to do which was not surrendered to the general government by the adoption of the federal constitution, or is not prohibited by the state constitution. Acts of government may be constitutional, and yet unjust. What is constitutional may not always be just, and *vice versa*—what is just may not always be constitutional. It may be unjust for our governments to do all that they may constitutionally do, and it may be desirable for them to do things that they may not constitutionally do.

After the proper functions of government are ascertained the constitutions may be so amended, if necessary, as to permit governments to perform their proper functions. But the existence of constitutions should not at any time lead people into such a feeling of security as to bar all inquiry into the merits of governmental action. Constitutions are not infallible.

The question is, what are the proper functions of government?

### CHAPTER III.

#### RIGHTS OF INDIVIDUALS IN A SOCIETY WITHOUT A GOVERNMENT.

In the foregoing chapter it was stated that the subject of the proper functions of government involves the rights of citizens as against the duties of the state. Whatever powers are not delegated to the state, but retained by the people, it is the privilege of the people to exercise or not, as they will. That is a privilege, not a duty. As to the government, it is its duty to exercise all of its functions when occasions arise, otherwise the reason for the existence of government would cease. Individuals would not surrender their powers to be exercised only at the caprice of the government. When an occasion arises for the doing of a certain thing, it might better be done by the individual than not at all. Everything must be accomplished either by the citizen in his private capacity or by the government.

It is, therefore, the *duty* of the government to do what it is empowered to do, and the *privilege* of individuals to do what they have not empowered the government to do. If the *duties* of the government

be ascertained the *privileges* of the citizen would thereby also be ascertained, and *vice versa*.

Government is a creature of society; society must exist before a government is possible. We must consider the rights of individuals in a society, without a government, before we can ascertain the reasons for the creation of government, if any there be.

A society consists of two or more individuals situated so closely together upon the earth that they may interfere with each other in the unlimited exercise of their powers. Regardless of all theories relative to the creation of man, and regardless of all theories and evidences of history relative to the manner of the formation of societies, we may suppose a man upon the earth before society was formed or beyond the pale of society. To ascertain the rights of individuals in society without a government, we must first ascertain the rights of individuals outside the pale of society, as those are man's full natural rights, and then see how these are affected by bringing men into society.

Once created, man became conscious of his existence. Man has power to see, to hear, to smell, to taste, to feel, to move, to think. Once created, he became, and has ever remained, an independent agent. As a free agent he had the right to exercise any or all of his powers or not, as he willed. Alone, he had a right to

live while his powers lasted, or to kill himself if he would and could. He had the right to move or not; he had the right to go wherever his powers might enable him to go, or to remain in one place; he had the right to utilize as much of the earth and its products as he could and chose to do. His wages were the full product of his labor; *anything within his powers he had the right to do; his rights were limited only by his powers.* These rights arose from his opportunity; they existed because he was an independent agent, the opportunity existed, and he was without obligation to any man but himself.

We may suppose one man alone upon the earth. Now, suppose others upon the earth, each alone as the first; the rights of each would be the same as those of the first supposed. Their natural powers would differ; no two men are of exactly equal powers. All men are not created equal in abilities. Each would have the right to the full product of his powers, such as they were. Because of different abilities they would share differently, each in proportion to his ability, but this is not a cause of complaint as between man and man. In one thing only are they equal, namely, each is equally entitled to the full product of his own powers, i. e., *each has equal right to do as he wills within his powers.* These are the complete natural

rights of man, and the basis of his rights in society with or without a government. X

Now, suppose these individuals with their unequal powers, but equal rights to the full product of their labor, to come and remain in such close proximity that they may interfere with each other in the unlimited exercise of their powers; a society would thereby be formed; a government is then first made possible; but we are primarily concerned in ascertaining the rights of individuals in society without a government, in order to discover whether or not there is any reason for the organization of a government.

What effects are produced by the formation of society upon the natural rights of men? It must be clear that it cannot affect the *equality* of their rights. The coming together of men cannot naturally give to one a right that it does not give to every other man; it cannot give to one a right to a share or to the whole of the product of another's labor; it cannot give to one the right to kill another. Their rights must still remain *equal*, whether the rights of each are limited or extended by the formation of society. If society increases the powers of an individual he must still be entitled to the full product of that increased power; if it lessens his powers he is only entitled to the product of that lessened power. That is so of each and every one. X

But are the natural rights of each and all necessarily affected? Alone, each had the right to go where he willed, stay where he willed, to appropriate any product of nature that he willed. Suppose now, in society, that two or more willed to go over the same place at the same time, or to stay in the same place at the same time, or to appropriate the same product of nature; and suppose that, though the powers of each differed, yet the powers of each were sufficient to enable him to accomplish what he willed in the absence of the others. The result would be that no one could exercise his will in the regard supposed without violation of the rights of others, and the rights of each being equal, all must refrain from doing the thing until some adjustment be made.

To make a specific illustration of what might occur, suppose that in the locality where the society formed there was only one supply of water, and that from a spring which previous to the formation of the society any one had the right to appropriate entirely. Would any one now in society have the right to possess exclusively the same? No one would have a right to do a thing that would exclude others from doing it, if they willed to do it, and had sufficient *power* to do it. The fact that one might have sufficient *power* to enable him to do it to the exclusion of others would give

him no *right* to do it. The rights of the strong are no greater than those of the weak. Though, if in a society there was a thing that all would like to do, but only one possessed sufficient power to do it, the one would have the right to do it; for in doing it he would not violate the rights of others, as no one has a right to do what he cannot do. X

In order, then, to keep the rights of each equal in society without a government, the natural rights of each are necessarily affected by being limited; and no one would have a right to do at a certain time what others had power to do and willed to do at the same time, provided all could not enjoy the right at once; but every one would have the right to do as he would and could, provided that in the doing of the same other individuals would not be denied an equal right to do the same thing, or, to put it differently, *the rights of each would be limited by the equal rights of all others.*

The rights, and the limitation of rights, of individuals in a society without a government now having been determined, it will be an easy matter to determine to a certainty whether or not the anarchists are right, i. e., whether or not a government is necessary or desirable.

## CHAPTER IV.

### THE POSITION OF ANARCHISTS UNTENABLE.

It will be remembered that in the previous chapter it was determined that outside of society the rights of each were *unlimited* and equal, and in society the rights of each were *limited* alike, that the rights might remain equal.

It is a fact that no considerable contiguous area of the surface of the earth is invariable in quality. In any considerable area some places are much more desirable than others.

It is certain that it would be the most desirable places where the society is situated, where the desire to stay by more than one at the same time would first arise, and whereupon the most people would desire to stay at the same time; and it is equally certain that it would be upon the same places where conflicts would first and most frequently arise among those desiring to travel.

In the absence of some agreement, the most desirable places could not be occupied by any one without the infringement of rights. Each having an equal right to occupy the most desirable place, and it being

impossible for two persons to occupy the same place at the same time, in order to maintain the equal rights of individuals, none could occupy the most desirable place, and resort would necessarily be made to other places, and would be made to the next best place, where the same conflict would arise, and where again, for the same reason, no one could enjoy the right to stay or travel, and again resort would be made to the third best place, and so on down through all the grades of land until, in order for individuals to exist at all, with equal rights in the absence of an agreement, they would be obliged to dissolve the society; that is, separate, going to different parts of the earth, that thereafter no conflict might arise.

To avoid this dire result—the very dissolution of society—and enable some to occupy more desirable places than others; some to occupy the best places, to the exclusion of others with equal rights, and still maintain the equal rights of individuals, some agreement providing a just compensation by those permitted to occupy the best places to those consenting to take the poorer places would have to be made, even if that would accomplish it.

It should be observed in this connection, and before going further, that, strictly speaking, even the system of compensation just suggested would not main-

tain the former equality of the natural rights of all; strictly speaking, that equality of necessity is destroyed when some are permitted even by agreement to occupy the best places, to the exclusion of others, and the system of compensation seeks, as far as possible, as the only alternative to the dissolution of society, to re-establish equity, of necessity destroyed in the formation of society.

But such an agreement for compensation would constitute a government for the members thereof, and if an agreement could accomplish the re-establishment of equity, these considerations show that government is absolutely essential to the maintenance of society with the rights of its individuals remaining substantially equal.

*Anarchy, then, either demands the dissolution of society or the maintenance of unequal rights among men in society.*

## CHAPTER V.

### THE POSITION OF THE SOCIALISTS UNTEN- ABLE.

It must not be forgotten that the first reason justifying a government, as shown in what precedes, consists in the consideration that without a government society with equal rights of its members is impossible.

The making of the agreement referred to in the former chapter constitutes the formation of a government; and as the reason justifying its formation dictates its function when formed, the next detail demanding consideration is the terms of agreement essential to accomplish the purpose for which the same is intended.

What agreement will re-establish and preserve substantial equality of rights of its members, of necessity destroyed in the formation of society?

In considering such an agreement the law of freedom, of growth, of development, of civilization, of progress, must not be disregarded, else all efforts of mankind will be futile. We are not born developed in any respect, and no part of man, either body or mind, will grow without exercise. If at any stage of

development all exercise is stopped and absolute rest imposed upon a man, not only will development stop, but decay and death ensue. This is a law of nature.

For the best development of man the exercise of all his parts should be symmetrical, co-extensive. Exercise of muscles does not cause development of mind, nor of mind of the muscles, except as the exercise of one necessarily and incidentally exercises the other. Without great freedom of both mind and body there cannot be that exercise essential to the full development which makes civilization possible and leads ever on to greater accomplishments.

Absolute freedom such as exists outside the pale of society is not possible within society if equality of rights is to abide within; for we have already discovered that one controlling agreement must be made to make both society and equality possible, but the very law of life and growth of man must be violated as little as possible, and only when necessitated by superior considerations.

A condition of unbounded freedom, which only exists beyond the pale of society, is not the condition most conducive to exercise; otherwise we would expect the greatest growth of mind and body in persons furthest removed from the centers of society and affected the least by government, and in those who

meet and conflict the least with other men, while the reverse is true, greatest development being in the centers of society, even as governments are now conducted. Much can be accomplished by men working jointly that cannot be accomplished by them working separately and alone; therefore, the best conditions for development are, as much freedom as possible consistent with the greatest opportunities which society furnishes, but which are almost entirely wanting outside of society.

Where there is the greatest amount of exercise, that is, where there is the greatest freedom, together with the greatest opportunities, there will be the greatest progress. Outside of society with unrestricted freedom, but with comparatively few opportunities, development is slight; and in society without freedom, development is also slight, as the condition of enslaved people illustrates; but with comparative freedom in society where opportunities are numerous, there does history show has been the greatest progress.

The more unlimited the freedom and the greater the opportunities, the greater will be the development.

So that in the making of any agreement to re-establish equity of necessity destroyed in the formation of society by establishing permanent possession of land, which is a necessary condition of a permanent

society, the liberty of individuals should be restricted only so far as necessary to the maintenance of an equality of rights, that is, so far as necessary to accomplish the purpose of the agreement.

Socialists would create a government and have it employ all labor and direct all industries. Under this or any other system the total product could not be divided equally among laborers without violating that natural right of each to the full product of all of his labor, which is the mainspring of all action. But suffice it to say in objection to this system, even if under it the highest official and the most humble laborer were paid in proportion to the value of what he did, if that were practicable, it transgresses that natural law of personal freedom so essential to progress. Under such a system all except the very head of the government would be subordinates, subject to orders from superiors and without freedom of thought and action. This system would be preferable to a state of anarchy, but does not seem to constitute such a state of perfection as to dissuade us from attempting to find a better one.

Before presenting a just system it may not be without value to show fatal objections to other systems that might occur to a person in attempting to devise the proper one.

No system whereby the people would alternately occupy the best and poorer places of the locality could be accepted, for as soon as the society became of any considerable size more time would be consumed in making changes of possessions than in performing labor; besides, permanent possession of land is necessary to permanent improvement, and this is essential to the accumulation of wealth, without which there cannot be that rest from physical labor necessary to cultivate the mind and produce that symmetrical development, which is the secret of civilization.

The quality of the soil differing in different places, the locality of the society could not be divided into equal parts, giving one to each member and thereby preserving the equality of rights of individuals; moreover, the fact that the number of the members of society would continually change would necessitate a constant redivision, and this would destroy permanent possession so essential to civilization.

We have now discovered that the positions of both the anarchists and the socialists are untenable, that a government is not only desirable and necessary, but that the government when formed should not employ all labor nor direct all industries. The true course of government therefore lies between the two extremes.

Its exact and only function, so far as the matters already considered are concerned, is to establish the permanent possession of land upon equitable principles, and thereby render society peaceful, stable and beneficial to the human race.

## CHAPTER VI.

### THE FIRST FUNCTION OF GOVERNMENT.

To the task of explaining a just system—one that will re-establish substantial equity and grant the greatest possible degree of personal freedom consistent therewith—we shall next devote ourselves. To make it easy of comprehension, we shall proceed by illustration. Illustrations involving large numbers are more difficult to comprehend than like illustrations with smaller numbers. Then let us assume a world containing but one hundred acres. The one hundred acres of land, to make the illustration similar to the real earth, must be variable in quality. Suppose twenty-five acres to be of equal quality; twenty-five acres to be one grade poorer than the first twenty-five acres supposed, but alike in quality; twenty-five acres to be the same also, but to be two grades poorer than the first, and each of the last twenty-five acres to be three grades poorer than the first, and all of equal quality.

To simplify the illustration, let wheat be the only product. Suppose the acres of the first grade yield twenty-five bushels per acre per year; of the second

grade, twenty-four bushels; of the third grade, twenty-three bushels, and of the fourth grade, twenty-two, with the same amount of labor, and that, too, the labor of one man. Suppose one acre is all that one man can cultivate advantageously, and that in the course of a year one man can cultivate it as advantageously as two could. Suppose also that when the contrary is not specified, by a man is meant an ordinary man, one that would accomplish as much as an average man of all the men of any given community.

Suppose one man to appear upon this imaginary earth of one hundred acres; reflect upon his full natural rights hereinbefore discussed.

What would he do? He would pick out one acre of the best land, upon which in one year he would produce twenty-five bushels of wheat. What he produced would all be his. He would possess his natural rights unlimited.

Suppose now another man appears, what would be his rights? He certainly should not dispossess the first man located, for there is equally good land left; nor share in any of the improvements that the first man may have made upon his land, because each is entitled to the full product of his labor. There are twenty-four acres equally as good as the one upon which the first man is located, and he may take any

one of the twenty-four acres left, and have as great advantages as the first man. Under these circumstances, should the second man so decide to do, and should both men voluntarily refrain from trespassing upon the other's possessions, no agreement of any kind would be necessary to preserve the natural equality of rights, so far as the matter now under consideration is concerned, unless such voluntarily imposed restrictions should be considered in the nature of an agreement. In this manner a third man can come, also a fourth, and so on up to and including the twenty-fifth man; and there would be no disadvantage arising from the order of their coming, for there would be left for each as he came all that he could advantageously use of the best land. The rights of all would remain equal without an agreement, though the natural right of each to locate or travel anywhere would be restricted to the extent of the previous locations.

But suppose a twenty-sixth man to be created, what about him? The best land left unoccupied is only of second grade, and will produce only twenty-four bushels to the acre, while each of the first twenty-five men have land that will produce twenty-five bushels per acre.

The natural rights of all the men upon the earth are equal, without regard to when born or where

born, qualified, however, perhaps by the considerations advanced in the second preceding paragraph relative to priority of location. No one creates himself; no one crowds himself in whether he is wished or not. All are created by the same force, and are subject to the same natural laws. *Men differ only in the extent of their powers; their natural rights are equal.*

The twenty-sixth man has a right to have equally as good land as the first twenty-five men, or if the only considerations which render society possible prevent, then at least an equivalent.

There being no land left as good as the first twenty-five men possess, and permanent possession of land being essential for reasons hereinbefore stated, the twenty-sixth man must accept an equivalent. The first twenty-five men must share their advantages with him in order to equalize their rights, and the share thus obtained from them will be his equivalent.

An agreement, i. e., a government, is now necessary in order to secure permanent possession of land, render society possible, and preserve an equality of rights.

What agreement, having regard to personal freedom, will accomplish this end?

The total product of the twenty-six acres would be six hundred and forty-nine bushels. In equity each is

entitled to one-twenty-sixth of the whole, which is twenty-four bushels and twenty-five twenty-sixths of a bushel. Those upon the best land would each have one-twenty-sixth of a bushel too much, and the one man upon the second grade land would have twenty-five twenty-sixths of a bushel too little. By each one upon the best land giving to the one upon the second grade land one-twenty-sixth of a bushel, then each and all would have alike, to-wit, twenty-four bushels and twenty-five twenty-sixths of a bushel.

Suppose twenty-four other men to appear and each settle upon an acre of the second grade land, which would then all be occupied. The total product of the land thus far occupied would be twelve hundred twenty-five bushels. There would then be fifty men, and each entitled to one-fiftieth of the whole. One-fiftieth of twelve hundred twenty-five bushels is twenty-four and one-half bushels, the amount each should have; then each man upon the best land would have to contribute one-half of a bushel to each man upon the second grade land; now each would have twenty-four and one-half bushels, his just share.

When more men appear, and are compelled to take third grade land, which would yield, it will be remembered, only twenty-three bushels per acre, they would be at a disadvantage of two bushels per acre, as com-

pared with those upon the best land, and of one bushel per acre, as compared with those upon the second grade land. To equalize the rights of all, they should receive something, and the others contribute something. To ascertain the amount, divide the total product by the total number of people, and the quotient will be the amount of the whole that each should receive. Then those upon land that yielded more than the average, must contribute their excess; and those upon the land that yielded less than the average, are entitled to receive as much as the difference between what they raise and the average amount. To illustrate again, suppose there were fifty-one men. The first twenty-five men raise six hundred twenty-five bushels, the second twenty-five men raise six hundred bushels; the fifty-first man raises twenty-three bushels; and the total product is twelve hundred forty-eight bushels, one fifty-first of which is twenty-four bushels and twenty-four fifty-firsts of a bushel, the amount each should have. Twenty-five bushels, the amount that each upon the best grade land produces less twenty-four and twenty-four fifty-firsts bushels, the amount each should have, equals twenty-seven fifty-firsts of a bushel, the amount that each upon the best grade land should contribute. The difference between twenty-four and twenty-four fifty-firsts bushels, the amount each should have,

and twenty-four bushels, the amount that each upon the second grade land produces, is twenty-four fifty-firsts of a bushel, the amount that each upon the second grade land should receive. The difference between twenty-four and twenty-four fifty-firsts bushels, the amount each should have, and twenty-three bushels, the amount that the fifty-first man would raise, is one and twenty-four fifty-firsts bushels, the amount that the fifty-first man should receive.

The principle of the agreement that would have to be made to equalize rights is now clear, at least until one hundred men appear and all the land is as thickly settled as can be advantageously worked. What then? If the total product would sustain over one hundred people some further system would have to be resorted to, to equalize rights; but there is no use of theorizing as to what should then be done because the time is so far distant in the future when, if ever, so many people will exist at one time upon our real earth that they cannot all work at one time advantageously; and if the time does arrive, the men of that day will be able to establish and maintain equity if the government is carried up to that time upon equitable principles. We have now discovered what agreement will maintain the equal rights of men, so far as the matter under consideration is concerned.

We know that while the natural rights of individuals are equal, their powers differ, and that because the natural rights of individuals are equal, each, working without undue advantages over others, is entitled to the full product of his labor, whether it be little or much. But all men are not ordinary men; some men can do more, others not as much as an ordinary man.

Suppose a man of more than ordinary ability to have settled upon one of the acres of the best grade land and by reason of his unusual ability he could raise on it thirty bushels in one year instead of twenty-five bushels only, the amount an ordinary man could raise. Because the extra five bushels are the result of his extraordinary labor and not of greater advantages, he should contribute no more as a condition of occupying the best land than if he had raised only twenty-five bushels. Suppose this extraordinary man to have settled upon one of the acres that by the labor of an ordinary man would yield only twenty-two bushels per acre per year, but by his labor would yield twenty-seven bushels. Because his increased production is the result of his additional labor he should receive contribution as surely and as much as an ordinary man would receive if he occupied the same land and raised only twenty-two bushels upon it.

Suppose a man of less than ordinary ability to occupy an acre of the best land and that he is able to produce thereon only twenty bushels instead of twenty-five bushels, what an ordinary man would produce. Certainly in justice to all others he should contribute as much as an ordinary man would have to contribute, if such occupied it, and if such an inferior man occupied one of the poorest acres he should receive no more than an ordinary man would receive if he occupied it.

The reader has probably already questioned the practicability of making the transfer from those who must contribute to those who must receive. It certainly is not impracticable for the citizens of a nation to contribute to their government, for that is done now under every government, in the payment of taxes.

Let us see if the necessity of direct re-distribution cannot be avoided, and if that which appears to be absolutely just be not susceptible of accomplishment.

None of the first set of twenty-five men arriving subsequently to the others of their number, would give any of their predecessors anything to occupy the land occupied by their predecessors; for there remains for each, as he arrives, as much as he can advantageously till and as good land as that held by his predecessors.

But when any of the second set of twenty-five men arrive, it would be different with them. The best land

that is left for them will yield only twenty-four bushels pre acre. They would be just as well off if they should rent from one of the first twenty-five men his acre and pay him one bushel per acre for rent as they would be to till one of the best acres left unoccupied without paying rent.

It is thus seen that as soon as the best land is all taken and other people arrive, that rent of the best land arises, and equals the amount of the excess of its products over what the product of the best unoccupied land would amount to were it tilled.

A man arriving after the whole of the first and second grade land was taken, could afford to pay any one upon the best land two bushels per year; or any one upon the second grade land one bushel per year, as rent to till their land. He would be as well off at the end of the year as though he took the third grade land, the best unoccupied, and worked it without paying rent.

It is thus seen that as population increases, rent for poorer land arises and rent for better land increases.

Now, instead of those upon the land that is better than the poorest land in use contributing just enough of their excess product that when it is added to the product of the poorest land in use the share of each is

equal, suppose that a common fund be created, and that those upon the poorest land in use contribute nothing to it, and that those upon better land contribute to it the amount of their excess of product over the product of the poorest land in use. That is, suppose all the land upon our earth of one hundred acres is occupied, and those upon the land that yields twenty-two bushels per acre per year contribute nothing; those upon the land that yields twenty-three bushels per acre contribute one bushel per year; those upon the land that yields twenty-four bushels per acre contribute two bushels per year; and those upon land that yields twenty-five bushels per acre contribute three bushels per year to a common fund; then there is a fund that belongs equally to all, and the rights of all are equal.

If, now, there is a common object to be accomplished and an expense would be incurred in its accomplishment the fund thus created could be used to defray that expense; and if that expense exhausted the common fund then there would be no occasion for a re-distribution. The practicability of a re-distribution is immaterial.

It not being the object of this undertaking to consider exhaustively the subject of the functions of government, but only to consider a few in regard to which much abuse exists, I shall not undertake to show, but

X shall assume and presume that the readers hereof will assume that a government in exercising its legitimate functions, whether few or many, will exhaust its revenue, created as is this fund, in imposing a necessary condition to render society upon equitable principles possible.

We have now determined the only conditions upon which society can be justly maintained, i. e., we have determined the essential terms of the first agreement of society, or, in other words, we have determined the first function of government.

Let us re-state:

A government should maintain its people in the permanent possession of its land, upon the condition that those consenting to occupy the poorest land in use need contribute nothing for the privilege; that is, pay no taxes to the government; but that those upon the better land should contribute as much to the government, that is, pay as much in taxes to it as the value of their product exceeds the value of the product of the poorest land in use; that is, those upon land better than the poorest land in use should contribute in the payment of taxes to the government the full extent of their advantage derived from being secured in their possession of land of greater value than land that others are obliged to confine themselves to by reason of the previous occupancy of the better land.

## CHAPTER VII.

### THE FIRST DUTY OF GOVERNMENT UNIVERSALLY NEGLECTED—CONSEQUENT EVILS—REMEDY.

There is no government on earth that perfectly performs its first great duty; none that performs its one function that first justifies the existence of government, i. e., none that secures permanent possession of land upon the equitable principles hereinbefore set forth.

All of the principal governments do secure permanent possession of land, but not upon the conditions that render it just to do so; not upon the conditions that those secured in the possession of the land contribute to the government the advantages accruing to them over others by reason of their security of possession; not upon the only conditions that would maintain men's natural equality of rights. True, most governments do collect some taxes upon land values, but no such tax approximates the full extent of the advantages secured by the possession.

Let us revert to our earth of one hundred acres, and

compare the taxes that each upon it would pay under the just system with the taxes that each would pay upon it under the prevailing system.

x Upon our earth of one hundred acres under the just system the twenty-five men upon the best grade land would each pay as taxes to the government each year three bushels of wheat, amounting to seventy-five bushels; the twenty-five men upon the second grade land would each pay two bushels, amounting to fifty bushels; the twenty-five men upon the third grade land would each pay one bushel, amounting to twenty-five bushels, and the twenty-five men upon the poorest land would pay nothing. The total amount of taxes would be one hundred and fifty bushels, and the rights of each would be equal.

Under the prevailing system those upon the best land would not pay to the government in taxes three bushels each, or seventy-five bushels in all; nor those upon the second grade land two bushels each, or fifty bushels in all; nor those upon the third grade land one bushel, or twenty-five bushels in all; but instead those upon each of said acres of land would pay less than their just share, retaining therefore a part of what accrued to them solely by reason of advantages conferred by government, instead of by reason of extraordinary ability; and those upon the poorest land

would be compelled to pay the deficiency, because those who enjoyed the advantages paid too little. This method destroys the natural equality of the rights of men, instead of maintaining them, or, strictly speaking, of re-establishing them, necessarily destroyed in the formation of society.

Without intending in this connection to discuss minutely the evils of the whole prevailing system of taxes, to be exact it is necessary to say here that under the prevailing system the whole deficiency, as above stated, would not be collected of those in possession of the poorest grade land, but a part collected of the whole population in proportion as the members thereof possessed personal property (that is, in proportion as they had been capable, industrious and economical), or in proportion as they ate, wore, or consumed certain articles which might be in proportion to the number of their children, or in proportion as they were unfortunate in being sick if a tax were levied upon an article used as a remedy in case of sickness.

But in whatever way the deficiency is supplied the principle is the same. The failure to make the tax equal the advantage permits an injustice, and the prevailing method of collecting the deficiency magnifies it.

Perpetuate the injustice from year to year, from generation to generation, and from century to century,

even upon our supposed earth, where the difference in value between the best and poorest land is but comparatively slight, and ultimately, at a no very remote period from the date of the inauguration of the system, the difference in the wealth of those deriving an advantage and the wealth of those suffering a disadvantage will be very marked, a just cause of complaint and a source of danger to the tranquility of the community.

X As hereinbefore shown, it is the increase of population which gives rise to rent. Rent increases as population increases.

. In the illustration no land could command rent until the twenty-sixth man arrived, then the value of the rent of any of the best acres was one bushel per acre per year, and when the fifty-first man arrived the value of the rent of any of the best acres was two bushels, and the value of the rent of any of the second grade land was one bushel.

X As rent arises, the value of land arises; and as rent increases, the value of the land increases. The value of land is but the present worth of future rents.

The sale of the title of a piece of land is but the sale of the right to use the same in the future or to collect the future rents of the same. The value of the land, therefore, is determined by the value of its rents. As the value of the rent of a piece of land depends upon

the amount that can be made upon it in excess of what can be made upon the poorest land in use that can be had for nothing, so the value of the land is determined by the amount that can be made upon it in excess of what can be made upon the poorest land in use that can be had for nothing, whether that which is made upon it is made from the soil or made as profits of a business conducted upon land that does not involve the fertility of the soil at all. Thus land becomes very valuable in the centers of cities solely because upon it immense sums of money can be made.

The principle is the same in the illustration as it is upon the real earth, but the illustration, by reason of the comparatively slight difference in value between the best and poorest land, does not show the enormity of the injustice that is done by the prevailing system. This system secures to individuals the possession of the most valuable land without compelling a contribution, commensurate with advantages conferred, for the benefit of those who are forced to occupy poorer places by reason of the preoccupation of the best, and the payment of the taxes by those enjoying advantages from holding land to defray the expenses of government incurred in performing its functions for the benefit of all, would certainly accrue to the benefit of those less fortunately situated.

Upon our real earth, where some land is valueless and other land is pure gold, where cities of millions of people exist, in the centers of which immense sums of money can be made in trade and in other ways, a fabulous sum is paid for rent, instead of the three bushels per year paid as rent for the use of the best land in the illustration. Millions and millions of dollars are paid annually in the United States by some persons to others for the privilege of having a place to work and conduct business; the value of the place for the use of which money is paid having been created by the increase of population, and those who receive the money derive an advantage to the extent of the amount paid them, to the disadvantage of those paying the money who are thereafter subjected to the payment of taxes; whereas if the millions paid by those conducting the business for the privilege above stated were paid to the government instead of to other persons whose rights are only equal to theirs, then the rights of all, so far as the matters under consideration are concerned, would remain equal. This condition of things is bad enough now, but if the present system should be perpetuated, think of the chances, when they become of age, of the children born even now, to say nothing of those in the future, who shall receive no patrimony. Upon the land, then left in the United States that

could be occupied for nothing one would not be able to make a living. Even now, while the books at Washington may show that the United States government still holds the title of great tracts of land, an examination of the tracts will show that the land embodies the Rocky Mountains and other unproductive lands, but no substantial quantity of land upon which a decent living could be made. Within the last decade, at different times, when the government has offered for sale portions of Indian reservations supposedly fertile, have not the people from all parts of the United States rushed to the land office and stood for days in line for an opportunity to buy some of the land offered for sale?

When that time arrives those persons will not be able to work for themselves without paying somebody for the privilege, and that somebody, too, a person whose natural rights are no greater than theirs, but who, under the present system, is given an advantage for which he contributes nothing for the benefit of those who are at a disadvantage by reason thereof.

When that time arrives, in the cities, where land values are highest, the owners of the land will not work at all; not many such do now. In the cities, at best, the buildings will be owned by others than the owners of the land. The owners of the land will not

even have the trouble to look after and care for buildings. Certain men will own the buildings, pay all the taxes on the land, do all the business that is done on the land, and pay the owners large sums of money for the privilege of doing business thereon. The amount that they will have to pay to the owners of the land will continually increase, for the population will continually increase. Every child born increases the value of the land, because it drives people to the possession of less productive land, making the difference between the value of the product of the poorest land in use and the best land in use greater.

The amount that the men who do business then will have to pay to the owners of the land will be the whole profit of the business conducted, except a very small per cent, the smallest for which men will consent to work when there is no alternative but to work, beg, or starve.

Present cities of two hundred thousand population will then contain at least five hundred thousand people. Every piece of business property so-called will be much more valuable then than now.

For example, on the same piece of land much more money can be made in a year then than now in the grocery business, because more groceries will be sold thereon then than now; there will be more to buy; but

the man who does the business then will realize a smaller per cent of profit on his capital than he does now. All surplus money made in the business will go to the owner of the land in the form of increased rent.

The reader must now see that the present system is not only objectionable, but that its evils are intolerable. x

The remedy is, of course, in the adoption of the just system. Both systems secure the possession of the land in the individual. The prevailing system is responsible for all of the evils indicated, because the government does not take to itself, in the form of taxes to be expended for the benefit of all, the advantages it confers upon some to the detriment of others. The just system, then, can be adopted simply by increasing the taxes upon the land values. With this land value there must not be confused any improvements made upon land, which, according to the present nomenclature of the law, are, together with the land, called real estate. Taxes upon them must not be increased; but, since they are the product of labor, the taxes upon them, together with the taxes upon all other forms of personal property, must be lessened as the taxes upon land values are increased.

The function of government relative to land, herein advocated, is not new. What is said is certainly not

complete; but there is accessible to every reader a full, thorough and scientific treatise upon this subject in the form of "Progress and Poverty," by Henry George. I take the liberty of referring to this book without intending to commit anybody but myself to the idea that the foregoing sets forth, even in a feeble way, any of the ideas for which he contends, but certain it is that "Progress and Poverty," to a large extent, at least, must be held accountable for the ideas herein advanced upon this subject.

If enough has been said herein to induce any considerable number to study "Progress and Poverty" I shall not consider my efforts to have been in vain.

My estimation of this work is such that today I would rather bear the reputation of having been its author than that of any other book published within the last one hundred years. I believe that in the main it sets forth the truth upon the most important subject to mankind at a critical and opportune time.

## CHAPTER VIII.

### LIBERTY.

The administration of justice by government consists, in a large measure, at least, in the enforcement of contracts, in the exacting of damages in case of the breach thereof, and in the prevention of the commission of torts, which includes crimes, nuisances and all wrongs independent of contract, by inflicting punishment therefor and by other means, or in the exacting of damages for the commission thereof.

It being generally conceded that to administer justice is a proper function of government, we will assume it to be so.

Barring, then, in what is to follow in this chapter, acts of government relative to the administration of justice, the government having secured the possession of land to individuals upon the equitable principles hereinbefore elucidated, no action upon the part of the government affecting the individual upon the land is justifiable, because not necessary to maintain the equality of the rights of individuals.

Before society was formed, or outside the pale of society, the individual had the right to do anything he

would and could; his rights were limited only by his powers; the world within his reach was his, and this was so because of his opportunity, because in the exercise of his powers he interfered with no one else.

The government having secured to the individual in society the exclusive possession of certain lands, then, within his possessions, his rights are as unlimited as the rights of a man before society, or beyond X its pale, because of his opportunities, because in the exercise of his powers within his possessions he interferes with no one.

Here there should be no friction, no restraint; here there should be full opportunity for development, both physical and mental; here a person should be permitted to produce as much as he can, however wealthy he may become thereby; here men should be allowed to show the differences in their physical and mental powers. Remember, though men's powers differ, this is no cause of complaint as between man and man, and that the rights of each to the full product of his labor are equal. Here, whether land be used as a home or for business, the individual must be left free to do as he wills, limited only to the extent of being just in his relations with men—free to think, free to speak, free to act; here the flower of liberty must be allowed to bloom in its greatest fullness and beauty.

Any act of government relative to the conduct of men in the use of their possessions, if effectual, would destroy the equality of the rights of men. Any aid that the government might give to any one would be to the detriment of all others. If practicable, which it is not, for the government to give equal aid to all, it would be futile.

Whether the business be agricultural, mining, manufacturing, mercantile, commercial, professional, intellectual or whatsoever in its character, it should be uncontrolled, unregulated and uninterfered with by government, either directly or indirectly.

Whether a hotel, bank, store, farm, or whatsoever, it is a mistaken idea that government should regulate or interfere in any degree in the operation of it. If it does interfere it acts as guardian to some; it aids some to the detriment of others, and it destroys the natural equality of the rights of all.

The law of the survival of the fittest should here have full sway; it is the mainspring of action.

Why should a city government enact by ordinance, for instance, that whoever sells a ton of coal must have it weighed by a government official before delivery. It should not so enact. Such enactment would be designed to look out for the buyer when the buyer should protect himself. Under such a law the buyer would

lose an opportunity to exercise his own powers, and he certainly would not develop under it; he would become dependent instead of remaining independent.

If buyers are left to protect themselves, they will do it most effectually. Any seller who should deliver scant measure or weight or an article inferior in quality to that bought, many times, would soon be in ill repute, and for lack of patronage be driven out of business, while the worthy would thrive, and the evil committed during the seller's period of activity could be remedied by the government in exercising its function of administering justice.

X Why should a city government, by ordinance, establish a wood and hay market and provide therein as follows? "No person shall \* \* \* keep standing for sale \* \* \* at any other place than the said wood and hay market \* \* \* any load of hay, wood or straw, but shall at once proceed with the same to such hay and wood market and procure such hay and wood, to be there measured or weighed before selling or offering the same for sale to any one, and shall keep the same upon said market until the same shall be sold or withdrawn from sale. And no person who shall bring in any loads with teams of hay, straw or wood \* \* \* shall neither sell nor deliver the same until the same shall have been first taken to such wood

and hay market, and there been properly weighed or measured, as the case may be." It should not so enact. It certainly cannot be considered as justifiable under the function of administering justice.

Remember we are not now considering acts by government regulating the conduct of individuals upon streets or public places, but only upon land the exclusive possession of which is given to individuals upon conditions that render it just that they be given the possession. If it be conceivable that it would be a wrong, that is, a nuisance, for hay, wood or straw to be exhibited for sale upon certain pieces of land by reason of the surroundings, still it is not conceivable that in any city it would be a nuisance for them to be exhibited for sale upon any and every piece of land in the city except the one established as the market in the ordinance. Any such ordinance would be designed to give the possessor of the land upon which the market was established an advantage over the possessors of other lands in the vicinity; and if there were any considerable amount of hay, straw, or wood to be sold, the design of the ordinance would be most effectually accomplished. Such an ordinance would as certainly aid the possessor of this land, to the detriment of others, as would the direct payment to him by the city of money out of its funds.

“An ordinance to establish a standard loaf of bread, to provide for its manufacture in a clean and wholesome manner, and to provide for its inspection;” or “An ordinance providing for the measurement of berries and small fruits;” or “An ordinance to create the office of inspector of meats, fish and other provisions and define his duties,” is each an evil. Is it possible for an inspector to inspect all meats, fish, bread or berries to be sold in a city of any considerable size? Because a man is an official, is he any more competent than others to inspect? It is for the best interests of individuals to be self-reliant. If uninterfered with by legislation the worthy will survive, and the unworthy perish. Without an official inspector every purchaser will be an inspector, and the object sought to be obtained by means of the ordinance more certainly accomplished.

Do ordinances requiring auctioneers and others to obtain licenses for a consideration from cities before they can do business tend to maintain the equality of rights of individuals or to destroy them? There can be but one answer. Such ordinances throw the burden of supporting the government upon individuals in proportion as they consume certain inoffensive things, and not upon the just and equitable principles that will be hereinafter considered.

Should the state not provide a bank examiner and pass no law regulating banking business, there would be no bank failures. Without law every depositor would be an examiner. No one could start a bank and succeed in securing many deposits without first having gained the confidence of the community by years of integrity and success; and then only by professed willingness, maintained continuously, to disclose to all patrons the financial condition of the bank. X

With laws designed to protect people, they become dependent and derelict of duty and patronize any institution that hangs out a sign. If the law is deficient or a single official is inefficient or dishonest, those who could and would have better protected themselves, but for whose benefit the law was designed, become sufferers by reason of government action, instead of gainers.

We have a statute in the state of Minnesota entitled "To Regulate and Protect Labor." If the law is constitutional, that is, if its provisions are germane to the subject expressed in the title, it is a statute of the worst sort, because in contravention of principles hereinbefore stated. If it be true that, though men's powers differ, each is entitled to the full product of his own powers, then certainly any law that, in any degree, protects or regulates anybody in his conduct upon his own possessions, or the possessions of another,

er, is evil, bearing in mind as an exception the duty of government in the administration of justice.

Government should, as we have herein assumed, administer justice, but should not do things itself simply to prevent a possibility of individuals doing wrong. The principle invoked in the laws such as hereinbefore suggested in the illustrations would, if carried out in all matters, constitute socialism, an evil second only to anarchy.

## CHAPTER IX.

### MONOPOLIES.

In its original sense, a monopoly consisted of an exclusive right in a private individual, firm or company to sell a thing; but in time, by an extension of the term, it came to mean an exclusive right to do anything; and, by further extension, it has come to mean a right to do anything extended to only a part of the people of a community; that is, the right in any one or any limited number of individuals, firms or companies to conduct any business in which there is not unlimited natural competition, constitutes a monopoly.

For illustration, when a government secures a person in the exclusive possession of land, that is, grants to one the right to possess a certain piece of land, to the exclusion of all others, it establishes a monopoly; and, again, should a government, by any law, either directly or indirectly limit natural competition in any business, it would thereby foster, if not establish, a monopoly.

We have already seen that the monopoly of land is not only justifiable, but necessary, when established upon condition that the person to whom the monopoly

is granted enjoys no special advantages over others by reason thereof. We are now to investigate whether or not other monopolies are justifiable or necessary, and, if so, upon what terms they should be granted.

Intimately connected with the subject of permanent possession of land, is that of public highways. It will be remembered that among the natural rights of man is the right to go where one pleases, as well as the right to stay where one pleases. The one right is of no less value than the other. Civilization would not result from permanent possession of land if opportunities to travel, which highways afford, were wanting. Permanent possession of land existing without the right and opportunity of each to travel off of the land possessed, people would live in nearly as great isolation as though they were beyond the bounds of society. Without public ways for travel, the only condition upon which land can be justly permanently possessed, as shown in the preceding chapter, could not be enforced. The tax collector could not reach the taxpayer.

The right to travel, as well as all other natural rights, should be limited as little as possible in society, in order that opportunities to exercise mind and body may be as numerous as possible, in order to cause the greatest development possible.

In society these two rights, to-wit, the one to stay where one pleases and the other to travel where one pleases, are inconsistent. If permanent possession of land is established in society, the right to travel is limited to the extent that the right to the possession of land is established. No one can rightfully travel over a piece of land the exclusive right to the possession of which is given to another.

The present system of allowing possession of some lands by certain individuals and of reserving other lands exclusively for public travel is the only practicable system, especially if the right is reserved in giving to some exclusive possession of land, to withdraw at any subsequent time the right to possession of the whole or any portion thereof for public travel upon compensation being made for the permanent improvements.

This is all the compensation that should be made in the exercise of the right of eminent domain when the government enforces the only condition upon which the permanent possession of land can be justly established in individuals. When the right of eminent domain is exercised, the present law of compensating the possessor of the land, not only for the improvements thereon, which must be lost upon the withdrawal, but for the value of the land besides, is a part of the un-

just system of allowing individuals to possess land without paying taxes to the extent of the value of the special advantages derived. The present rule of compensation, in case of the exercise of the right of eminent domain, must go down with the downfall of the present system of land tenure; in place thereof the rule will prevail of compensation for improvements only.

Certainly the same power which secures the possession of some land in society to individuals, must designate what land is to be reserved for public highways, and likewise for parks and other places for public resort, to an extent that the best interests of the people may demand. The right and duty of the government to regulate the conduct of people upon highways and public places, that the strong may not overpower the weak and destroy the equality of rights of men, so naturally follows that we shall consume no space in considering it, but assume the duty of such regulation to exist.

Highways are the lands of all, that is, of the government, reserved from settlement as places of travel for all. They should be put to no other use than that of travel. However, any other use of the highway that in no degree affects the travel thereon would be unobjectionable; but in no event should the govern-

ment, under its right to regulate travel upon the highways, license the conduct of any business thereon that in any degree might interfere with travel, but, at the most, only such as may facilitate travel. The common custom in cities to demand and receive compensation for licensing individuals to do business, other than travel upon the highways, is wrong in principle. If the business does not in any degree interfere with travel, it should be permitted without interference and without compensation; but if it does in any degree interfere with travel it should not be permitted or licensed, even for a compensation, but prohibited altogether.

The common custom in cities of demanding a license fee as a condition precedent to the conducting of an inoffensive business upon the highways that in no degree interferes with travel is an offspring of the existing unjust system of land tenure. The custom has arisen in compliance with the demands of landlords to lessen competition with those doing business upon their lands, that the landlords may, by reason thereof, demand larger rents for their holdings.

In regulating travel upon the highways no limitations or restrictions should be placed upon any one as long as the manner and extent of the user does not interfere with the full exercise of the same right to travel by all others. As long as the extent and man-

ner of the user by any one does not interfere with others, it is immaterial to the government whether the person is engaged as a common carrier or not; but when the user, by reason of the extent or manner thereof does interfere with the equal rights of others, then to the extent of the interference it should be stopped; or, if permitted, then only upon such conditions that those allowed to exercise the special privilege receive no special advantage over others, whether the person permitted to use the highway to a degree of interference with others be engaged as a common carrier or not.

One of the common means of conveyance today in cities is by street railways; this certainly is a manner of use that does interfere with the equal rights of others upon highways. Street railways are a means of great convenience and economy to the public, and should be permitted, but by whom should they be owned and operated, by the government or by individuals; if by individuals upon what conditions?

Of late years much has been said by way of argument that private enterprise should not be permitted to own and operate street railways, but that this should be done by the government.

Certainly private enterprise should not be permitted so to do if those engaged therein gain any advan-

tage thereby over others of equal rights, which cannot be reclaimed for the benefit of all others; or if private enterprise is less capable of rendering the service efficient than the government would be. But upon principles hereinbefore elucidated, to individuals should be left the undertaking, and the government should not act unless individuals could not render efficient service; or if individuals could render efficient service but the government could not permit it upon equitable principles.

Private ownership and management is the present rule, and it is such an universally acknowledged fact that private owners are capable of furnishing efficient service that we are safe in saying that government should not own or operate street railways unless for the second reason above specified.

In granting without condition to individuals the right to conduct and operate street railways, which do certainly interfere with the travel of others, special advantages to the grantees over others are thereby conferred.

It will be remembered that in granting to some the right to the possession of the best land, that the government created special advantages to some over others, but it was justified because a means was discovered whereby the especial advantage could be reclaimed by

the government for the benefit of all, and thus equity re-established.

To determine whether or not government should grant to individuals the right to construct and operate street railways, we have only to determine whether or not the right can be granted upon such conditions that those exercising it receive no special advantages; or, if they do receive special advantages, whether or not the value of the special advantages conferred can be measured and taken by the government as a condition of the grant; if so, then the matter should be left to private enterprise, for in this way there is greater enjoyment of natural rights and greater personal freedom with the natural equality of rights of men still maintained.

Of course the matter of primary importance and of controlling consideration in each case is the preservation of the natural equality of men's rights; and of secondary importance is it that as much personal freedom be permitted as possible, consistent with such equality of rights.

In considering the subject of land had not a practical way been discovered by which individuals could be granted the right to the possession of land and the advantages accruing to them be reclaimed by the government, then certainly in obedience to the

principle that the rights of each are equal, the government would have been obliged to operate land, and the contention of the socialists to that extent would have triumphed. So here, if the right to own and operate street railways cannot be granted to individuals without destroying the natural equality of rights of man, then the government must own and operate them; and the benefits to be derived from personal freedom must be sacrificed to that extent.

In considering the land question we divided land up into separate pieces or tracts and gave to each the exclusive possession of different pieces. As populous as is the earth today, there is plenty of land for all, and, without question, there will be plenty of land for all for a very long time in the future, if just conditions of holding the same are imposed so that it will be impossible for one to hold more than can be advantageously used.

Each person having possession of a separate piece of land secured to him has a monopoly of the same. There is land enough to grant a monopoly to each and all. The advantage accruing to each monopolist of land is the rental value of the land possessed by him, which is determined by comparing the value of the product thereof with the value of the product of the best land in use that can be had for nothing; and that

was the amount specified that each should pay to the government as a condition of his holding the land that the rights of each might remain equal.

It cannot be determined by analogous reasoning what amount the grantee of a street railway franchise should pay to the government if franchises are to be granted to individuals; for while in the case of land each person has or may have a franchise or monopoly of a piece or tract and the special advantage thereof is ascertained by a comparison as above indicated, in the case of a street railway, but one, or, at most, but a limited number, can receive a franchise, and there cannot be a similar comparison. If there were room on streets for innumerable street railways, some being better situated than others, then the case would be analogous to that of land, and the money to be paid the government for a franchise could be easily determined; it would be the surplus value of the earnings under it, operated by an ordinary man, over the value of the earnings of the best franchise in use that could be had for nothing.

The condition then upon which a street railway franchise or monopoly can be justly granted to individuals, if at all, must be determined in some other way.

Some have contended that cities should let or rent, from time to time, the privilege of constructing, own-

ing and operating street railways to the highest bidder, or to the one who would offer the most valuable terms or conditions for the privilege; but whether the government should let the whole privilege of constructing, owning and operating the street railway, or whether the government should construct and own the plant, and let only the privilege of operating it, both of which plans have been suggested, in either case it could not grant the franchise unconditionally to any one, even for brief periods.

The highest bidder, if no conditions were imposed, after paying what he had bidden for the privilege, might not construct a railway at all, or not operate it at all after he constructed it; or, if he constructed it and undertook to operate it, might not furnish efficient service; or if he did all that, might charge for it such unreasonable rates that the public could not avail themselves of the service; or he might so discriminate in rates as to ruin any firm in any locality to the benefit of another, and thereby destroy competition and virtually establish monopolies in different kinds of business in any locality, but such a scheme is not as feasible of execution by street railway companies as by other railway companies.

Remember, it was stated that street railways are a means of conveyance of great convenience and econ-

omy, and are, therefore, greatly to be desired; so that if the franchise is to be granted to individuals at all it must be upon terms and conditions that will insure the accomplishment of the purpose for which granted, that is, be efficient in service and reasonable in charges for the enjoyment thereof.

It may be said that whoever should bid the most for the privilege could not afford to operate a street railway except in a reasonable way, charging reasonable rates to all, for thereby would he realize the greatest profit; but the consideration that the method of operation might establish monopolies in other kinds of business in which the owner of the street railway might be interested, whereby larger profits might be realized than in the street railway business, ought to be a sufficient answer to the statement, and show that the franchise might be obtained for the indirect purpose of affecting other lines of business.

It is now pertinent to inquire what is a reasonable charge?

Were the government to construct and own street railways, paying therefor out of the public funds, and then operate them, it could not pay the operating expenses out of the public fund and charge nothing for the transportation of people, because the public funds belong equally to all, while all people do not ride on

street railways, and no two ride to the same extent exactly.

The public fund, belonging equally to all, should be expended only for the equal benefit of all. Should any portion of the public fund be loaned to anyone the borrower thereof should pay the ordinary rate of interest as surely as though the money were borrowed of a private individual. Should the government construct street railways with the public fund, and then also operate the same, because some of the taxpayers would not use the street railway at all and no two would use it to the same extent, people could not ride for nothing; but the rates of charges to preserve the equality of rights of men would have to be sufficient to defray the operating expenses and to create a fund sufficient to constitute ordinary interest or profits to go into the public fund to compensate for the use of that portion of the public fund utilized in constructing the plant, and thereby withdrawn from the use of all for the use of only a portion of the taxpayers.

Should the government own and operate street railways and charge for the service to the extent above indicated, the equality of the rights of men would not thereby be destroyed; that is, no one would gain any advantage over others; but it must be remembered that in view of considerations hereinbefore advanced

the best interests of the people demand that the government should not act in any case except in cases where if individuals were to act they would gain advantages over others. We are now endeavoring to ascertain the conditions to accompany a franchise to an individual that will avoid giving the grantee of the franchise any advantage over others in operating under it.

We have now found what would be a "reasonable charge" so far as the patrons are concerned, should the government own and operate street railways. Certainly any charge, not exceeding what would be a reasonable charge, if the government operated street railways, would be a reasonable charge, so far as the public is concerned, whoever operated it. But regardless of what charges, if any, a government should impose for service, should a government operate street railways, certain it is that should a street railway franchise be granted to an individual and should he construct and operate it in an efficient manner, and establish such rates of charges for the service that he would realize therefrom only his operating expenses and an ordinary rate of profit upon his investment, then, so far as the public is concerned, they would enjoy the advantage of a system, and the individuals operating the same would enjoy no special advantage over

others, because others in business not monopolistic in character are at liberty to make equally as much. The expression "ordinary rate of profit" is not indefinite, for in all regular lines of business conducted by private enterprise upon private possessions, where no special privileges are necessary from the government to enable them to conduct the business, *regular* rates of profit are realized, governed by many circumstances, among which are the hazards of the business.

But if only an ordinary rate of profit could be realized by the grantees of the franchise, no one would pay anything for the franchise; it could not be let or rented to the highest bidder, for no one would bid anything for the privilege of conducting a business in which only an ordinary rate of profit could be realized; that is, only such a rate of profit as could be realized in conducting any common business upon private possessions. There is no merit then in the contention that the franchise should be let to the highest bidder.

It is well to consider further in this connection that the "investment" upon which an ordinary rate of profit should be permitted, does not necessarily include the whole cost up to date. To illustrate: Should a person or company receive a street railway franchise, construct its road in a certain way, build its cars in a certain way, operate the plant by a certain power and in

a certain way, and thereby incur an expense, and before the plant should be entirely consumed by wear there should be a discovery by means of which the plant could be constructed or operated much cheaper than it actually cost, or some discovery made whereby roads or cars differently built or operated by another power would be much more efficient, then the basis upon which to calculate the ordinary profit would be the cost under the cheaper method; or if a more efficient system should be discovered, it would have to be adopted, and its cost alone used as the basis or considered as the investment upon which to calculate the ordinary rate of profit.

Recently a manufacturing plant was constructed consisting of buildings and machinery; the machinery was of the most improved pattern at the time of the construction of the plant, and the building was adapted to the operation of the machinery; but very soon after the plant was constructed, and while the building and machinery were still new and capable of much use, inventions were made whereby the article to be manufactured by the plant in question could be produced much cheaper by different machinery requiring different buildings. As a result, the owner of the plant above specified could not utilize it in manufacturing the article, because others with the new ma-

chinery invented could manufacture much cheaper and undersell him in the market. The cost of the plant was therefore a complete loss to its owner.

This being a hazard in conducting a business which is not a monopoly, that is, in which there is competition, it must be a hazard, in justice to the public, the members of which are interested parties, in a business which is a monopoly, that is, in which there is no competition, or, at least, limited competition.

The basis, then, which must control the charges for the service is the reasonable cost, at date, of the plant, which must at all times be kept efficient.

That any efficient board of commissioners in each city where a street railway franchise is granted could approximately determine the reasonable cost of the plant at all times, and determine what an ordinary rate of profit would be and regulate the charges for the service so that the grantee of the franchise would realize only his reasonable operating expenses and an ordinary rate of profit upon his investment, considered as above specified, there can be no doubt; therefore, it follows that the operation of street railways should be left to private enterprise upon the conditions above specified. This is certainly so, unless it would be impracticable for a board of commissioners to perform their duty above outlined; but, as to this, it is certain

that if proficient men could not be chosen to determine the investment and an ordinary rate of profit, proficient men could not be furnished by the government to construct and operate street railways.

It probably has already occurred to the reader that whatever individual or private company operates under a franchise subject to the conditions already specified is at a disadvantage rather than at an advantage, as compared with people doing business upon private possessions, needing no franchise to conduct their business; but it being a self-imposed disadvantage, it is not a cause for complaint.

The disadvantage is this: Whoever conducts a business upon private possessions, the cost of the privilege for doing which is only the land value tax, based upon the earnings of an "ordinary" man, is free, it will be remembered, to make more than an ordinary profit by extra ability, extra industry, or by extra economy; but whoever operates under a franchise, subject to conditions as hereinbefore specified, whatever his ability, whatever his industry, or whatever his economy, cannot realize more than an ordinary rate of profit, cannot make more than an ordinary man would make either in operating under a franchise or in conducting any other business.

However, this comparative disadvantage under which the operator under the franchise would labor might be compensated for, to a degree approximately proper, by graduating the charges in proportion to the efficiency of the service in connection with the economy thereof; that is to say, should the operator under a franchise subject to such conditions render excellent service at an exceedingly small expense the commissioners might allow him to charge rates that would net him a little higher rate of profit than the same rate would net another not so proficient in the business; also that justice in the matter might be approximated, like commissioners of different cities might compare the records of those operating in different cities whereby the capacity of an ordinary man in the matter might be approximately ascertained, and if so, his capacity used as a standard in the regulation of charges, in which case operators would be at less or no disadvantage, as at first stated.

But should it be said that individuals will not accept franchises from the government if the conditions are that only an ordinary profit can be realized in operating under them, the answer is that experience teaches us the contrary.

The law has developed in this country, that it is just and proper to regulate a business operated under

a franchise, and the tendency is actually toward greater supervision and regulation by government of industries of this character; yet such franchises are sought after with as great eagerness as ever.

But, in any event, a franchise must never be granted without said conditions reserved and exercised by government, otherwise the natural equality of rights of men would be destroyed; and whenever it becomes desirable to have any such enterprise conducted, if there be no private individuals or company willing to accept the franchise necessary to operate it, upon the conditions found above to be necessary to maintain the equality of the rights of men possibly then, but certainly not till then, should the government construct and operate them.

But, should the time ever arrive when an individual is wanting to accept a franchise upon such terms and conditions, even then the government should not both construct and operate a street railway if the performance by it of a lesser part will accomplish the desired end without destroying the equality of the rights of men. In obedience to our general principle, hereinbefore stated, if possible, the operation of the plant, when constructed, should be left to individuals in their private capacities.

A plan of construction and ownership of a street railway plant by the government, with the operation thereof by individuals, not only seems possible, but wholly practicable. Suppose a city government to construct a street railway and equip it ready for operation, and then to let the operation of the same to whoever, in open competition for the privilege, would agree to furnish a certain service for the lowest rates of charges; that is, suppose some in bidding offer to operate and to charge only five cents, others four cents, others three cents, others two cents, and others one cent for the same service, and the government let the operation of the same to the one who offers to operate upon a one cent charge, then the rights of each would be equal, and if the right to operate was let for only a short period of time, say one year, when the privilege to operate should again be let to the lowest bidder, then only ordinary rates of profit would be realized by an ordinary person in operating, because if any lessee of the privilege in any year should realize more than an ordinary rate of profit upon the charge that he maintained, then at the next chance to bid others would bid under, that is, offer to operate and charge lower rates, and rates, too, so small that with them ordinary men could realize only an ordinary rate of profit in operating.

Though this system is not as desirable as the one first suggested, because it deprives individuals of the opportunity of the construction of the plant, and for that reason should not be adopted until, if ever, individuals will not accept a franchise upon the conditions embodied in the first system, still, this system is much preferable to operation, as well as construction, by the government, and it may be said in its favor that under it full play is given to the faculties of men.

To summarize what has been said so far, it may be stated that the government should not operate street railways, but, instead, grant a franchise therefor to individuals; but only upon the condition that the operation by individuals should be regulated by government, so that the company operating under the franchise should at all times furnish reasonably efficient service to the public, at rates of charges that would only net the company operating it, considered as composed of ordinary men, its operating expenses and an ordinary rate of profit on what would be the reasonable cost of reproduction of the plant; that the government should operate street railways when individuals will not accept a franchise therefor, or operate the plant under either plan above outlined; but the government should not operate street railways

until then; that the reasons for said conclusions are, that thereby the greatest freedom of individuals is attained, and no one thereby gains any advantages over others, but, instead, the rights of individuals remain equal.

Attention should be called to the fact that there are three general features that characterize the subject of street railways and control the conclusions in the matter:

First: In the operation of street railways the rights of others of equal rights are interfered with.

Second: In the operation of street railways there is either none or limited competition.

Third: Street railways are operated for the benefit of the public.

Certainly the same considerations hereinbefore advanced relative to street railways, arise in regard to all other kinds of business that possess the same three general characteristics, and the same conclusions relative to them are inevitable; that is to say, that in the case of any business in the operation of which by individuals the operators would gain an advantage over others of equal rights, and in the operation of which there would be none or limited competition, and which business would be operated for the benefit of the public, individuals should operate it subject to the con-

dition that the government should regulate it at all times, so that reasonably efficient service would be furnished to the public at charges that would net the company only its operating expenses and an ordinary rate of profit upon the reasonable cost of reproduction of the plant; but that if individuals will not accept a franchise and operate such business upon such terms, then the government should own the plant and let the privilege of operating of same, and thereafter if necessary, but not till then, should the government construct, own and operate the same.

Now, what kinds of business are there that possess these three general characteristics? First, do not railways other than street railways possess them? One might construct, own, and operate a railway upon his own land that would cross no highways, and operate the same for his sole benefit, in transporting himself or his own property from one part of his land to another. In such a case, the government should not interfere with or regulate the operation of it any more than it should interfere with or regulate the conduct of farming or any other business that any one may prosecute upon his own land for his own benefit solely. But such a case is unusual, if not wholly suppositional.

Under present conditions, no considerable railway could be constructed and operated without running

lengthwise of or crossing many highways; and, if so, the operation of a railway would interfere with the equal rights of others, and the first general characteristic is present in this case. Besides, as the country is at present settled throughout the United States, the land for any considerable railway could not be obtained without the exercise of the power of eminent domain by the government, from which fact it follows, that those for whom this privilege might be exercised by the government, would thereby receive advantages to the disadvantage of others; and this being so, inasmuch as the government could not exercise this power for all, but only for a limited number there cannot be unlimited competition in the business, and the second characteristic is present. Besides, the power of eminent domain cannot be exercised except only for the public good, and any company operating a railway under it is of necessity a common carrier, that is, it must work for any one who may desire it. Therefore, in the case of railways the three characteristics exist, and therefore what is true of street railways is true of other railways, and individuals should operate them if they will upon like terms and conditions.

There is a difference between street railways and other railways in this, that in the case of other rail-

ways they usually occupy much land other than that of streets, and therefore in the case of such, at first, and in any event, regardless of profits and all other considerations, there must be a tax levied upon the value of its lands, upon the same principles that all land values are taxed. The principle of land taxation is blind as to the uses to which the land may actually be put, but of course this land tax would have to be regarded as one of the operating expenses in regulating the charges of the railways; that is to say, after the payment of a tax upon the value of the land used as a roadbed for the railway, the rates of charges for transportation would have to be sufficient to allow the payment of the land tax as well as the payment of operating expenses.

Again, telegraph companies possess the same general characteristics; their poles and wires are necessarily upon streets, and to the extent of all lands other than streets to be used by them the power of eminent domain must be exercised for them; and therefore they interfere with the equal rights of others, and competition in that business is limited and they are operated for the public. So of telephone companies, electric light and power companies, and every company that must stretch wires along or across highways, or have the power of eminent domain exercised in their favor;

so of gas companies that must extend tubular pipes instead of wires in similar places; so of water companies and of sewerage companies. There may be others not enumerated, and unless all progress stops, there will be new ones in the future of a similar character. It is essential that the principle should be understood that it may be applied in all cases that now exist and as they may arise.

To summarize again, the government should always regulate in the respects specified the operation of monopolies by individuals. The kinds of business in which there should be no regulation by government is considered in the preceding chapter. The consideration here is, when government should regulate, not when it should not.

It may not be without profit to call attention to the fact that all of the monopolies specified in this chapter are really land monopolies, because they all arise on account of the exclusive use of certain lands, even though it may be only of space sufficient to sustain a wire or on account of a superior use of certain lands as is the case when highways are utilized.

Whenever an exclusive or superior use of any land, however small in quantity, is granted, a monopoly is created, competition is excluded or restricted, and

without regulation undue advantages thereby arise, therefore, to maintain the rights of men equal, a function of government arises to either appropriate such advantage to itself or to so regulate the conduct of the business that no undue advantages may arise.

## CHAPTER X.

### MONEY—ITS EVOLUTION.

What functions, if any, has the government to perform in regard to money? Before an answer can be given, a correct understanding of money is necessary. Let us then first proceed to ascertain what money is and what functions it performs.

To be free to investigate the subject, let us suppose the term money had never been used, nor any other term to denominate what we now call money. Let us suppose, also, that no government has ever passed any law regarding it.

Wealth includes all objects of value, that is, all objects of man's desires which can be obtained only by man's efforts. A man might possess wealth, then, *outside* of society, where he could use and consume it, or store it as long as the article constituting his wealth could be preserved without decay. Outside of society, however, he could borrow of no one, lend to no one, contract no debts, nor trade with any one. *In society*, also, he might possess wealth, and the wealth of one man might consist of articles of one kind, and the wealth of others, of articles of different kinds. The

wealth of some might consist of articles which would decay quickly, and cease to be wealth, while that of others might consist of articles which would retain their values for a long period of time.

In society, as out of it, each might use and consume, or store his wealth until it would decay, but in society people might do with their wealth what a person could not do with it outside of society. In society people could borrow of and lend to each other their articles of wealth, to be used and returned; or they might trade with each other. For illustration, one man might give to another some hay in exchange for some fruit, or he might sell to another his fruit upon agreement that the purchaser some time in the future would pay therefor, by giving to him an equal amount of fruit of equal quality. They might also contract debts with each other.

Any person might lend or borrow any kind of property, trade one kind for another; or he might sell any kind of property to another, to be paid for at the time or at any time in the future, in any kind of property as they might agree. A person, however, could not without loss lend any kind of property to be used and returned, except such as was durable and could be returned without appreciable decrease of value. In trading, however, one might exchange with profit a

durable article for a perishable one; for he might desire the consumption at once of the perishable one, and not desire the use of the other at the time. In making a sale a person could not, in justice to himself, agree to accept in the future as pay therefor, any article but one which he at the time believed would be as valuable when the time of payment came as the article sold was at the time of the sale.

Some classes of things may be very valuable sometimes, and of little value at others. This is so because man's desire for them may be more or less at one time than at another, and because it might require a greater or less effort of man to obtain them at some times than at other times.

From the definition of value, it follows that the value of an object depends upon two independent things: One is, the desire of man for it; the more the individual desires it, and the larger the number of individuals that desire it, the greater will be its value. In other words, as usually expressed, the greater the demand the greater the value; the less the demand, the less the value. The other is the amount of labor required to produce it; the greater the labor the less can any individual produce, and the less the number of individuals who will produce any of the thing, and the greater the value of that which is produced. As usually

expressed, the less the supply the greater the value; and the greater the supply the less the value.

The value of anything depends upon the supply and demand of it. A change in either will certainly affect the value. A change in both may or may not; a less demand would tend to lessen the value, but a decrease of supply would tend to increase the value; and if the opposite tendencies were of equal potency, and if they both operated at the same time, the value would remain stationary, but not otherwise in case of any change in either supply or demand.

In theory, the value of anything may remain stationary indefinitely, but in practice it is improbable, because it is improbable that neither the supply nor demand will ever change, or if either should change, that the other at the same time will so change as to offset exactly the effect of the change of the other. Anything, of course, includes everything, and in all probability nothing will remain exactly stationary in value for any considerable length of time, but some things will remain much more nearly stationary in value than others, because, from the nature of things, the supply and demand of them will be more regular.

It should be impressed upon us that the value of every single substance upon earth is independent of the value of every other substance. The same law of

supply and demand, and nothing else, fixes at all times the values of everything. True it is, that where two or more different substances are used by man for the same purpose, that the supply and demand, or either, of one may affect the demand or supply, or both, of the other. But still, it is true, that it is the supply and demand of each that fixes its value.

As it is improbable that the value of anything will remain exactly stationary through any considerable period of time, so it is improbable that the values of different things will change exactly alike at the same time; but, rather, it is probable that the values of different things will rise at different times, or differently at the same time; or fall at different times or differently at the same time; or that the values of some things will rise while those of others will fall.

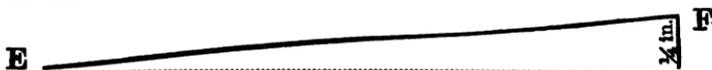
The theoretical value of an article not changing during a period of time might be represented by the straight horizontal line,



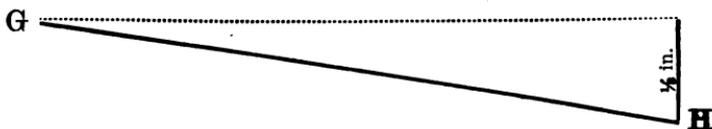
The value of an article gradually and regularly rising during the same period might be represented by a straight line gradually and regularly ascending, as, CD.



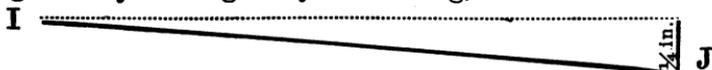
The value of an article gradually and regularly rising during the same period, but rising only one-half as much as the one last referred to, might be represented by a straight line gradually and regularly ascending, as EF.



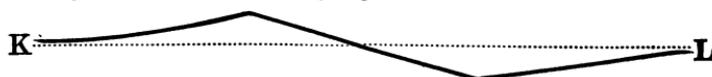
The value of an article gradually and regularly falling during the period might be represented by a straight line gradually and regularly descending, as GH.



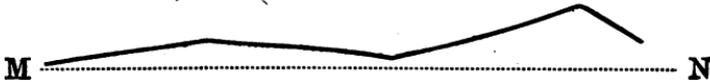
The value of an article gradually and regularly falling in value during the same period, but falling in value only one-half as much as the article last above referred to, might be represented by a straight line gradually and regularly descending, as IJ.



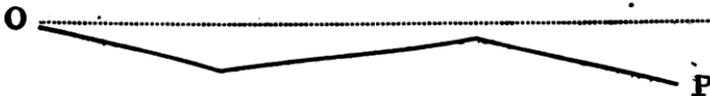
The value of an article rising part of the time and falling part of the time during the same period, might be represented by the zigzag line, as KL.



The value of an article sometimes rising and sometimes falling during the same period, but at all the times of greater value than at the beginning of the period, might be represented by the line MN.



The value of an article rising and falling during the period, but at all times of less value than at the beginning of the period, might be represented by the line OP.



In any society, after a time, it would be learned that there would be some articles the values of which would remain more nearly stationary than that of other articles. Any one in dealing in such articles, then, would be less apt to realize any advantage or disadvantage thereby than in dealing in other articles; and for that reason, people would be more apt to agree to accept such articles in payment or to make payments in them in the future, than in any other articles. If this is true the demand for these articles must increase, and they could be more easily disposed of than other articles.

With such an article in existence, if a person desired to dispose of his surplus fruit, for hay, of which he had

not enough, and he could not quickly find a man who had hay which he wished to trade for fruit, he would be apt to exchange the fruit for this article of most nearly stationary value, for which there was a general demand, although he might not desire it, however, at the time, except for the purpose of procuring hay with it. Having procured hay with it in this transaction, this article of most nearly stationary value would be the means of effecting an exchange of things of value, or, in other words, an *instrument of exchange*.

If a person wished to store his wealth, other things being equal, he would exchange a portion of it at least for this kind of wealth. Suppose a person wished to lay aside his wealth for future use, and it consisted of perishable articles of changeable value, then he would certainly trade them for durable articles, to be stored; and of the durable articles, he would exchange a portion at least for those which he believed would not decrease in value, but upon the contrary which he believed would increase in value while stored, or, what in effect is the same thing, for durable articles which would net him an income while stored, or for articles that could be let for use for a consideration. He would exchange his wealth for buildings, or interest-bearing securities, or for something from which he might realize an income while not using it himself.

But such things cannot always easily be disposed of at their true value; and consequently one would not be apt to convert into such properties all of the wealth which he wished to store, but a portion thereof into some article, durable, certainly, for which there was a general demand, and which could be disposed of quickly at its true value—one which would not decrease, if not increase, in value while stored. Such an article would this of most nearly stationary value be; therefore a person in society desiring to store wealth, would store a portion of it at least in the form of this article of most nearly stationary value.

If he sold or bought an article on time, he would *contract payment in this article*. Why? Each party to a sale on time, governed by selfishness, would like so to contract as to gain an advantage over the other. But if the parties to the contract were of equal intelligence and good judgment, neither would succeed; and to effect a sale at all on time, payment would have to be provided for in this article of most nearly stationary value; for one of the parties to every time contract is the loser, and the other the gainer; one suffers an undue disadvantage, and the other gains an undue advantage if the value of the article in which payment is to be made changes between the time of the making of the contract and the time of the payment.

To illustrate, suppose an article of a certain value to be sold today, to be paid for in something one year from today, in justice to both parties, what should be the value of the article of payment at the time of the payment? Barring the subject of interest, which is never paid as part of the purchase money, but rather as compensation for the use of the article bought between the time of the purchase thereof and the time of payment therefor, the article given in payment should be of the same value when paid that the article sold was of value when sold. If it were of greater value the seller would unduly gain thereby, and if it were of less value the purchaser would unduly gain. We are, therefore, justified in stating "if he sold or bought an article on time, he would contract payment in this article of most nearly stationary value," because we are assuming two parties to a contract, of equal intelligence and good judgment.

Concurrently with the gradual adoption of said article to the three uses already mentioned, it would become established as a standard of value; that is, those desiring to determine whether or not any other article had increased or decreased in value during a certain time, would compare its value during the period with the value of this article of most nearly stationary value during the same period; and when this custom became

established, then to say that any article had increased or decreased in value would simply mean that it had increased or decreased as compared with this one article of most nearly stationary value. Of course, at any time, the value of anything may be compared with the value of anything else, and the value expressed in terms of the article with which compared. For illustration, the value of a horse may be compared with the value of a cow, and the value of the horse expressed in terms of cows, or of cows in terms of horses. But a general standard of value becomes established only by a *custom* of comparison of values, which involves a lapse of time; and certainly no general custom of comparison of the values of articles generally with the value of one thing would arise, unless that one thing were of more stationary value than the values of other things; and the same custom would establish the habit of expressing the value of all other articles in terms of this article of most nearly stationary value, that is, the value of the unit of this article would be the unit of the measure of value of other articles of value. For illustration, if the article of most nearly stationary value consisted of horses, the unit of which is one horse, then the value of other articles would be expressed in terms of horses, and would be of the value of one horse, two horses, or one-half of one horse, or two and one-half horses, as the case might be.

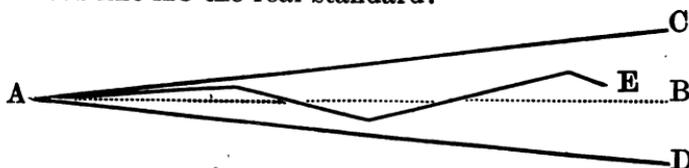
As to what information is conveyed when it is stated that a certain article is of a certain value expressed in units of the standard, no doubt must be left. In discussing values hereinbefore, it was stated, that while theoretically there might be some articles that would remain unchanged in value during a period of years, yet, as a matter of fact it is altogether improbable that any article would remain absolutely stationary in value during any considerable period of time. Anything that may by custom be adopted as a standard, will, in all probability, change in value somewhat in time, though less so than other articles. If the standard should remain stationary in value, it would be an ideal one, since no injustice would result to him who stores any portion of his wealth in the form of the article constituting the standard; and since neither party to a time contract, payable in the article of the standard, would gain any undue advantage over the other in the fulfillment of the contract.

If the standard remains stationary it may be represented by a straight horizontal line, as was the theoretical article hereinbefore represented, as follows:

---

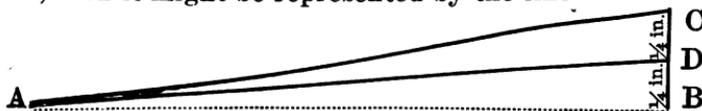
But, in fact, any standard will, in all probability, vary by rising or falling, or both, during a certain

period. If it should gradually and regularly rise in value, it may be represented by a straight line gradually and regularly ascending, as follows; the dotted line AB representing the ideal standard, and the continuous line AC the real standard:



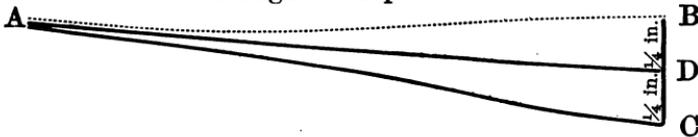
If it should gradually and regularly decrease in value, the above line AD might represent it. Should the standard both rise and fall during the period, it might be represented by the crooked line AE.

Suppose a standard gradually and regularly rising in value, and let it be represented by a straight line gradually and regularly ascending as designated below by AC, the dotted line AB representing the ideal. As every article, as well as the standard, in all probability, varies in value during a certain period, let us suppose another article, wheat, for instance, gradually and regularly rising in value during the same period, but rising in value only one-half as much as the standard, then it might be represented by the line AD.



If the distance from B to C, in the above diagram, represents two dollars, that is, if during the period represented by the lines a certain quantity of standard has risen in value to the extent of two dollars, then, during the same period, since D is half way between B and C, a certain quantity of wheat has risen in value only one dollar.

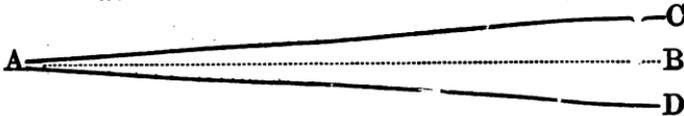
At the beginning of the period represented by A, the quantity of wheat supposed was equal in value to the quantity of the standard supposed; but at the end of the period represented by B, C and D, though wheat has risen in fact in value, yet, in terms of the standard it has fallen; because while at the beginning the wheat could have been exchanged for the standard, at the end the standard in exchange would command not only the wheat, but one dollar in addition; that is, the same quantity of standard buys more wheat, and the same wheat less standard. Suppose during the same period the standard to have fallen two dollars in value, and wheat to have fallen one dollar in value; then the condition might be represented as follows:



AB designates the ideal, AC the real standard, AD wheat; the distance from B to C represents two dol-

lars, and the distance from B to D and C to D each represent one dollar. In this case, though wheat has fallen in value, yet its value expressed in terms of the standard has risen; for is it not apparent that at the end of the period the quantity of wheat supposed will exchange for the quantity of the standard supposed and also one dollar in addition; that is, wheat will command more standard and the standard less wheat?

Suppose, during the period, the standard to rise one dollar and wheat to fall one dollar, it might be represented as follows, AC representing the standard and AD wheat:



In terms of the standard, wheat has fallen two dollars, while in fact wheat has fallen one dollar, and the standard has risen one dollar. They are two dollars apart, but neither has changed to that extent.

Is it not apparent, now, that when a standard is adopted and the value of a thing is expressed in terms of the standard at two different periods, that no idea is conveyed as to whether or not the thing has increased or decreased in value, but simply the information is conveyed that the values of the standard and of the article have not changed alike? Both may have

risen; both may have fallen, or one risen and one fallen. The term simply shows how far the article is from the standard, nothing more and nothing less.

While considering the subject of the standard of value, it may not be irrelevant to ascertain whether or not it is true—as so often stated in the public press and by public speakers—that there cannot be two standards of value. A moment's reflection ought to convince any one that the statement is not true, and that, in truth and fact, there may be as many standards as there are different articles of value. A standard is an article of value, with the value of which the value of another article is compared. Certainly the value of any article may be compared with the value of any other article, and when the value of a horse is compared with the value of a cow, then the value of the horse is the standard for the value of the cow, and of the cow for the horse. When, generally, the value of many things is compared with the value of one thing, then the value of the one thing becomes a general standard.

For reasons hereinbefore shown, no general custom of comparing the values of things generally with the value of one thing will arise, unless the one thing is of comparatively stationary value. But there may be two or more articles of substantially equal stability of

value, and much more stable in value than things in general; and for that reason, each of said two or more things may become to be used quite generally as standards; and if such a custom should arise, then the value of other articles could be expressed in terms of any one or of all of those standards. For illustration, suppose every horse was of the same value as every other horse, and every cow of the same value as every other cow; suppose one horse to be of the value of two cows, and suppose horses and cows to be generally used as standards of value; then, the value of any other article could be expressed in terms of horses or cows, or both. For instance, it could be said that a certain building is of the value of fifty horses or one hundred cows, either or both; so, if gold and silver should become to be used as standards, it could be said that the building is of the value of so much gold or so much silver, or both.

To recapitulate, this article of most nearly stationary value would be the principal one used for five purposes, as follows:

- First—For the storing of wealth.
- Second—For the payment of debts.
- Third—As an instrument of exchange.
- Fourth—As a standard of value.
- Fifth—As a unit of measure.

Thus far we have chiefly spoken of the quality of stability of value in this article. If there were two or more articles of equal stability of value, but differing in durability, then the one most durable would be most used for these five purposes.

Again, if there were more than one article of equal stability and durability of value, the one easier to handle would be most used for these five purposes. But, of the articles equally stable, durable, and convenient, if there were more than one, the quantity of one might be insufficient to be generally used for these five purposes; while that of some others of the different articles might be sufficiently plentiful for general use for these five purposes.

The subject of the quantity of the article or articles adopted for this purpose is a very important one, and perhaps not secondary to the subject of stability in value. The subject is especially of great importance in connection with the functions of the articles so adopted as a medium of exchange and as a commodity with which to pay debts, because when one or more things become to be generally used for these purposes nearly all contracts for payments will be made payable in them; and if, when the time of payment arrives there is an insufficient quantity of them in existence, then perhaps the contracts cannot be fulfilled. For

illustration, suppose there are in the United States today two billions in debts, payable in money, contracted upon the reliance that money would be in existence and obtainable in exchange for other species of property at the time that the debts became due. But suppose between the time of making the contracts and the time of payments all the money in the United States should pass out of existence; that there should be no money when the time of payments arrived, what would be the result? Under our laws where offsets of debts could not be made, payments being neglected, judgments would be obtained by the creditors against the debtors, and executions would be issued thereon and delivered to the sheriff, who would levy upon the debtor's property—as the debtor might have plenty of property, but no money—and take the same into his possession and advertise the same for sale to satisfy the judgment. Suppose all of the debtor's property, of the value of ten thousand dollars, to be levied upon to satisfy a judgment of one thousand dollars. Many persons might attend the sale, but no one but the creditor could bid at the sale, because any one else would have to pay money, and we are supposing no money to be in existence; therefore, no one but the creditor could bid; but if the creditor could have no competitor in bidding, and if the debtor could not redeem

from the sale, as he could not if there were no money in existence, then the creditor need not bid an amount equal to the amount of the debt to obtain the property; that is, he need not bid even one thousand dollars for the property worth ten thousand dollars. The creditor would obtain the property as easily by merely bidding a nominal amount, say, one dollar; therefore, he would bid only a nominal amount, and the title of the property would pass from the debtor to the creditor, and the substantial portion of the debt still exist. That is to say, that with debts existing payable in money and no money existing with which to pay them, under the laws as they now exist, all the property of all debtors might pass to and become the property of the creditors, and the obligations of the debtors still exist. That is an alarming condition of things to contemplate, but what is true in all of its fullness in the illustration must always be true in a lesser degree whenever there is an insufficiency of money, though not an entire absence of it. Besides, since money is almost exclusively used as the medium of exchange, whenever there is an insufficiency of money, exchanges must be curtailed to an extent about equal to the insufficiency of money. Reference to the evidences of an insufficiency in the volume of money will be made hereinafter. It is the present purpose only to show the importance of the subject.

If no one article possessed all of these advantages in the greatest degree, that is, of stability, durability, and convenience of form being sufficient in quantity, then that article would be used most which possessed all of these advantages in the most desirable proportion. Indeed, one article might be used most for some of these five purposes, and other articles for others of these five purposes concurrently and simultaneously, and if people differed in opinion as to the comparative desirability of the different articles for use for any of these five purposes, different articles might simultaneously be used by different people.

Not infrequently in the same community, as a matter of fact, different articles have been simultaneously used for the same purpose. At different times in the same community, and in different communities at the same time, different articles have been used for these five purposes. Among the American Indians at one time, beads called "wampum" were generally used; among the American colonists in Virginia tobacco. From early historical times, continuously, down to and including the present, in the principal countries of the world, gold and silver have been and are generally used for these five purposes.

This article, or these articles, as the case may be, which we have described as possessing the greatest ad-

vantages for these purposes, and which generally perform these functions, are, when so used, what we now call money. Money may be defined to be those articles of value which are most generally used in a community with which to store wealth, pay debts, effect exchanges, and as a standard of value and as a unit of measure thereof, and are so used because, in the opinion of those so employing them, they possess in a greater degree than other articles the advantages of stability of value and durability of value, with convenience for use, and are sufficient in quantity. Of course, those same articles may be used for other purposes, but they only constitute money when used or are held to be used for said purposes.

But gold and silver, now generally used as money in most countries, are not mined in convenient form to be used as money as mined; nor can the value of gold or silver be ascertained without weighing. They are elements of nature, and the value of them is proportionate to the weight, that is, the quantity; nor has either a natural unit. The custom has grown up with the use of them as money of coining them for use as money, the coins being stamped to indicate their weight, thereby arbitrarily fixing a unit. This is convenient and facilitates their use as money, because the means are not generally at hand to ascertain the weight when their use as money is desired.

## CHAPTER XI.

### MONEY (Continued).

#### ECONOMICAL EXPEDIENTS AFFECTING THE VOLUME OF MONEY.

Thus far having traced the course of money in its complete evolution, let us next observe some expedients that are commonly resorted to in the interests of convenience and economy.

Never has any article been found to be used as money that is wholly convenient in all amounts; also constant use of articles subjects them to danger of loss and causes wear, decrease of amount, and therefore value is lessened. To avoid inconvenience, wear, and loss, the parties coining have resorted to the expedient of depositing the coins in safety vaults and of issuing paper certificates therefor in different amounts to the full extent of the coins deposited. These certificates are circulated instead of the coins deposited, and are convertible into coin at any time at the will of the holder. Indeed, if certificates are to be used instead of coins, no necessity of coining exists; but the metals uncoined could as well be deposited as the basis

of the certificates; and if the certificate-holder thereafter desired to exchange them for the metal, he could receive it uncoined as deposited, or procure it to be coined when desiring it in the form of coin.

These considerations have led some to lament the "lying idle," as they say, of articles so valuable. But, in truth, the metal is not idle, but performing a very important function, that is, the function of money, as truly as though it were in circulation instead of the certificate, its representative. The metal is really the money, and the paper only evidence of its existence and location and readiness to be exchanged upon demand. The money is only idle when neither it nor the certificate is in use.

These considerations carry us to the custom that prevails in banking. The custom is for individuals to deposit their money with the banker, and whenever the depositor desires to make a payment, instead of withdrawing the money deposited and making the payment therewith, he gives a check, that is, an order on the banker for the amount. The person receiving the check presents it at the bank and gets the money; or instead of withdrawing the money, he may have the banker charge the amount of the check to the giver thereof, and give him credit for the amount thereof, and he in turn, issues checks thereon.

So long as all the money deposited in the bank remains there subject to check by the depositor, the system and economy is the same as with the coiner and his certificate. The certificate in one case, and the check in the other, each represents money. They are conveniences and economical expedients to save wear and avoid loss of money. In this case the money deposited with the banker is only idle when neither it nor the check is in use.

But, by the prevailing custom of banking, the banker may not keep on deposit at all times all the money deposited with him subject to check, the custom having grown up, with the knowledge and consent of the depositors, of lending to others a portion thereof. Experience has shown that all depositors will not give checks on their money at the same time; that all who receive checks at the same time will not draw money on them, but part of them will instead, deposit them to their credit; that while some may be drawing out money, others will be depositing; and so, in the ordinary course of business, a banker may safely lend to others a portion of what the depositors have left with him subject to check, and the person to whom the banker lends the money may not withdraw the money, but, instead receive a credit at the bank for the amount, and may, himself, utilize the check sys-

tem. By this expedient, a certain quantity of money is utilized to a greater extent than it otherwise would be, it lies idle less. In this way, when not used by the depositor, it is used by the borrower. By this custom, in reality, the banker brings together at all times the lender and the borrower; or, to speak more accurately, the banker borrows of the depositor and uses the money by lending to others. The banker assumes the risk of his loans, for which he receives a profit in the form of interest.

Intimately connected with the banking system is the clearing-house system, instituted by the bankers. The system may perhaps be made clearer by illustration than by explanation. Suppose several banks in a locality, each with different patrons. Suppose A to be a depositor of bank No. 1, and B of bank No. 2. Suppose that upon a certain day A gives B a check upon his bank, No. 1, for ten dollars; and later in the day B gives A a check upon his bank, No. 2, for ten dollars. When B received A's check of ten dollars he could have gone to A's bank, No. 1, and drawn the money upon it, and carried it over to his bank, No. 2, and there deposited it to his credit. And when A received B's check of ten dollars he could have gone to B's bank, No. 2, and drawn the money on it, and carried it over to his bank, No. 1, and there deposited the same to

his credit. But, instead, under the clearing-house system, A's bank, No. 1, accepts from him B's check on bank No. 2, and gives A credit for it, the same as though it were money, the bank thereby agreeing to attend to getting the money on the check from bank No. 2; so, B's bank, No. 2, accepts from him A's check and gives him credit for the amount as though it were money. Thereafter representatives from banks No. 1 and No. 2 meet and compare their records, upon which it is at once seen that instead of it being necessary to carry ten dollars from each bank to the other, that the same result is obtained by no money being carried, but by simply exchanging checks and balancing their accounts. If there is any difference in the amounts of the two checks, then money only to the extent of the difference need be carried from one bank to the other.

The illustration is simple in theory, but in practice in any city where there are numerous banks, there are every day many checks, drawn on other banks, deposited in each bank. By this clearing-house system the money lies in the vaults of the banks, not subjected to wear nor to danger of loss, and the banker is enabled to lend more of the money deposited, thereby utilizing the money more, avoiding its lying idle more, and no doubt obviating the necessity of a larger volume of money with which to do business, thus leaving

more of the precious metals, as gold and silver are called, free for use to satisfy other desires of man.

This system of balancing accounts is not confined to banks of the same city, but is extended and applied by banks of different cities, thus avoiding carrying so much money both ways between cities. The principle is also extended and applied to international affairs. If it were not, between Europe and America, enormous amounts of money would be in transit both ways over the ocean; but with it, comparatively small amounts, balances, are carried one way.

The extension of credit in private deals between individuals largely lessens the otherwise necessity for more money. To illustrate, a retail merchant trusts for months a patron. His patron may be a farmer, who, during the same time, is selling the merchant eggs, poultry, and other of his products upon credit. At certain intervals they compare accounts; if equal, they balance them; if not equal they are balanced by the payment of the difference only.

So far as the matter under consideration is concerned, the greater the honesty and the greater the extent of credit, the greater is the economy, the less does any money lie idle, the less is money required to effect exchanges, thereby permitting more of the precious metals to be utilized for other desirable purposes. For

illustration, suppose there were no credit; suppose people would not entrust bankers with their deposits, or, if they did, that bankers would not extend credit to others by making loans to them; those who under present conditions are borrowers at banks would then have to keep money of their own with which to do business; and therefore have use of less capital in other forms, while the money of the depositors, or creditors, would lie idle.

In other ways, also, honesty serves to economize in the use of money. A person may be actively engaged in business, with a capital of considerable value, and still be without money. The conduct of his business may be expensive and require the expenditure of money or the utilization of credit. With this valuable capital and a reputation for honesty, in lieu of money, others, for labor or material which he may desire, may accept from him promises to pay money in the future. If these promises to pay be in writing, they are called notes. They may pass from person to person in making exchanges within the limit of the promisor's reputation for honesty and ability, or they may be held or stored until due, or they may be used by the receiver of them to pay his debts within the same radius.

Again, a person may possess no capital, but he may bear the reputation of being capable, industrious, in-

telligent, and honest. Upon this potentiality, his written promise to pay may be accepted and become current to some extent where the maker is known, as do the certificate of the coiner and the check of the depositor.

In each of the cases of the certificate and check spoken of, the basis was money; in the cases of the notes spoken of, their bases were not money. In one case supposed, the basis was wealth in property other than money, that is, other than articles generally used for the five purposes; in the other case the basis was the potentiality of the man to earn money; but as in the cases of the certificate and check they are not money, but only representatives of money, so the notes spoken of are not money, but only the representatives of—not money, but something performing functions usually performed by money.

It thus appears that money does not always perform all of the functions usually performed by it. The more firmly the credit of a people is established, the less will money be utilized for certain purposes, but instead other things will be utilized. Where credit is good, money will not be stored to the extent that it otherwise would be, but instead interest-bearing securities.

While in our illustrations to show how things other than money sometimes perform the functions usually

performed by money, we use in the one case a business man with capital, and in the other case a capable man without capital, but with a reputation for integrity, it is evident that the intention was that the two should be representative of all classes entitled to credit. For instance, the business man may be a banker. The banker might establish his credit to such an extent that his bank notes would circulate. The bank notes, however, would not be money as we have defined money, nor represent money, unless in the form of certificates for money in his vaults, convertible into money upon demand; but, rather, the bank notes would represent that which gave the banker credit, whether capital or potentiality. This capital or potentiality, however, would be performing some of those functions usually performed by money.

So, should the government issue notes, that is, promises to pay money, because of its potentiality, that is its power to get money, its notes might circulate in proportion to the government's credit; but as money has been defined, its notes would not be money any more than the notes of private individuals; but, as in the other cases hereinbefore supposed, the government's credit used in the way supposed, would perform some of the functions usually performed by money, and lessen the use of money to the extent that its notes were used.

It may be said, that the notes of the individual and of the government, spoken of, are payable in money, and finally must be paid in money, and, therefore, their use does not, in the end, economize in the use of money. That is true so far as the notes are finally paid in money; but in the end many of such notes are settled by being offset against other notes or accounts, and no money is needed to satisfy them. To illustrate, suppose a firm operating a saw-mill gives its note of five hundred dollars to Mr. A in payment for some logs purchased of him. The mill firm sells five hundred dollars' worth of lumber to Mr. B, and accepts from him his note of five hundred dollars. The mill firm made this note which it gave to A payable at the bank where it did business, and in taking the note of five hundred dollars from B it made it payable at the same time and place, with the view of having one note offset the other. A owed B five hundred dollars for supplies which B furnished to A when A got out the logs, and he took A's note for five hundred dollars; it became due a little before the mill company's note to him became due, so he went to B and got an extension of time of payment. The notes were all left at the same bank for collection; they offset each other, and not a dollar was paid. While the transaction of the illustration is an ideal one, yet, indeed, in the course of a year, in any

country, a large number of notes are satisfied by being offset in whole or in part, and the use of money avoided.

It is within the observation of everybody, that by reason of credit, people make their obligations payable at a time when they have money due them, so that they use the money paid them in paying their debts, the time of payment being, to a large extent, dependent upon the nature of the business of the community. In a farming community, the fall of the year is the great time for settlement. By this means one piece of money performs more functions in a shorter space of time than otherwise would be the case, and then goes elsewhere upon duty. The same money may move the logs in winter, the wool in the spring, and the wheat in the fall. Thus credit renders it unnecessary to withdraw from other beneficial uses, to be used as money, so much of the precious metals that otherwise would be necessary.

In primitive communities, where, if honesty be not less prevalent, reputations therefor are less established, more money is necessary in proportion to the contracts made, than in older communities. The better the reputation for honesty of a community, the less the money required in proportion to the number of contracts executed therein.

The percentage of the functions usually performed by money, grows less and less in all progressive nations. This is an established fact, and the reasons are herein set forth. If legislation did not interfere with natural laws and affect the volume of money, the more money there was in a community in proportion to the number of its contracts the worse it would be for the reputation of the community. Find a country with a large quantity of money in proportion to the number of its contracts, considering also the amounts involved in them, and you will find one where credit is poor.

While we believe it is true that the quantity of money required in any community with which to do business grows less and less in proportion to the number of its contracts as credits grow and extend in the community, yet that is far from saying that the absolute quantity of money would naturally grow less in all progressive communities. Some writers and public speakers have been wont to say that a less quantity of money is absolutely needed in a community where extensive credits prevail than in other communities; but the conclusion is not yet justified from any considerations hereinbefore advanced. It may be true that the greater the credit of a community the less the money that will be stored; but, in lieu thereof, interest-bearing securities. It may be true that the more the credit

system prevails, the more will there be mutual accounts that in the end will be balanced without the use of money; and the more the banks will flourish, as more money will be deposited in them, and the more will they lend of depositors' money; and thus will less money lie idle than otherwise.

All of the considerations hereinbefore advanced that tend to show a lessened demand for money with extension of credit may be true; and still it must be considered in this connection, that along the lines upon which society has heretofore progressed, the interdependence of the people of a community increases, whether due to the division and constant subdivision of labor, occasioned certainly somewhat by reason of inventions, by means of which scarcely any one now produces a completed thing in any line of business, but instead only a part thereof, as may be instanced in the manufacture of shoes, in which business but a generation ago one man made the completed article, while now the work of making one shoe is subdivided among many men; and as may further be instanced by the fact, that general practitioners in the professions of law and medicine are growing fewer, comparatively, while the members of the professions that practice different specialties thereof are increasing proportionately, or whether or not this interdependence is due to

those things, the fact remains, by reason of which more and more exchanges are necessary all the time, more and more contracts are all the time made necessary in order to effect a certain amount of business. So, while it may be true that with the extension of credits, less money is required to effect a certain number of exchanges, or to fulfill a certain number of contracts, still, along with the extension of credits grows a greater interdependence of people, by reason of which more exchanges and more contracts are necessary in proportion to the business accomplished, thus requiring more money. Which tendency overbalances the other it is difficult to tell. These considerations in themselves are not of very great importance, the important matter being that there should be money enough, but they are here advanced only to show the unreliability of the conclusion of those who attempt to prove the sufficiency of the volume of money in any community by citing the per capita quantity, the fact being that there is no natural relation between quantity of money and the population, nor can any important truth be deduced therefrom, but rather the important relation exists between the quantity of money and the quantity of business, in connection with the manner in which the business is done.

We have now briefly traced the evolution of money, considered what functions it performs, also, what

qualities of gold and silver have caused them to be generally adopted to be used as money. We have considered, too, certain expedients that economize the use of money, as well as certain tendencies that continually demand the use of more money.

With our present understanding of money and its functions, guided by the principles elucidated in the former chapters, we ought to be able to answer with certainty the first question asked upon this subject: "What functions, if any, has the government to perform in regard to money?"

Remembering the principles, that the rights of everybody are equal; that every one has the right to do as he can and wills to do, limited only by the equal right of every one else; remembering, also, that one of the duties of government is to maintain the rights of its citizens equal—never to destroy the equality, never to help one to the detriment of another, even upon the pretext that the one helped will help others or share the advantages, that is, not avail himself entirely of them; remembering, also, that the natural law of human nature demands, in the interests of the greatest progress, that individuals be allowed to help themselves as much as possible, and that they be helped as little as possible; remembering these principles, and understanding money and its functions, do

these considerations demand any action whatever upon the part of government relative to money? So far as considered, nothing has occurred requiring any action upon the part of government relative to money. In any community money would naturally develop in this way and for the reasons hereinbefore set forth, without any action upon the part of government.

Take notice, that money consists of articles of man's desires that can only be obtained by labor, that is, of articles of value that are voluntarily generally used by individuals in their private relations for certain purposes, because of their fitness. It is a creation of the individual in his private capacity, used by him in his private capacity; and in the creation and use by him of the same no one gains thereby any advantage over others.

It therefore follows from the foregoing considerations, that governments have no functions whatever to perform relative to money. Let it be understood that there is not and never was an occasion to justify any action whatever upon the part of a government relative to money. No law upon the subject should ever have been passed. It necessarily follows that the tendency of all governmental action should be toward the repeal of all laws upon the subject.

## CHAPTER XII.

### MONEY (Continued).

#### GOVERNMENTAL ERRORS.

Though we are certain the conclusion that a government should perform no function relative to money is correct, still our government has ever interfered and performed certain acts relative to money. Let us refer to them and see whether or not any evil has resulted therefrom.

In the first place, we may mention the fact that our government has ever coined money, and prohibited individuals from so doing. This act of government is wrong. Why? Simply because there is nothing in the nature of the act that individuals could not as well do in their private capacities, and in the doing of the act no individual would thereby gain any advantage over others. In coining money to the exclusion of individuals, the government has usurped one of the natural rights of man. It has deprived him of one of his natural occupations—the performance of an act that subserves his private ends; and thereby has the government limited the sphere of operation of the individual,

x

limited his opportunities to develop himself. It may be said, if this is an evil it has produced no appreciable effect, since there have been so many other opportunities of which men could avail themselves that they have not suffered for lack of opportunities. This may be so, but if the act is wrong in principle it should not be perpetuated.

Those who interpret the times the best, see that the tendency of our government is rather toward socialism than anarchy, rather toward doing too much than too little. So, if socialism is wrong and should not prevail, every insidious encroachment upon the rights of individuals should be checked, and the government put upon the right course, as surely as the government should be corrected in case of neglect by it to do its duty in the proper case.

Before people will accept coins there must be absolute confidence in the ability and integrity of the coiner. Trade now encircles the globe; and for a coin to be current the world over, the reputation of the coiner for integrity and ability must be coextensive with trade. Had not the government prohibited individuals from coining the metals into money, no doubt some enterprising individuals or firms would have acquired reputations before this that would have ensured the circulation of their coins throughout the

commercial world. Had there not been any government interference, the reputation of individuals or firms would have been developed with trade and have been coextensive with it; but as it is, world-wide trade exists without the reputations of individuals as reliable coiners of money going with it. If individuals were free from now to coin, years would probably be consumed in establishing sufficient reputations to guarantee the circulation of their coins.

The reputations of old established governments is sufficient to guarantee a circulation of their coins; and that trade might not be hindered, governments should continue to coin money until the reputations of individuals or firms are sufficiently established to gain the circulation of their coins, but only until then should governments continue to coin money, and they should immediately remove all restrictions as to coining money now resting upon individuals. Punishment could as well be inflicted for counterfeiting coins made by individuals as by governments.

In an inquiry upon the subject of the government's duties in regard to money, people should not be confused on the subject simply because the government has financial matters to attend to. The government has certain proper functions to perform, and in performing those functions it necessarily incurs expenses

that must be paid. But to pay those expenses, the government is not justified in going into the mining business upon its own account and in producing its money in that way, and thereby encroaching upon the rights of its citizens. The proper way for it to obtain money with which to pay its bills is to raise it by taxation, a subject to be hereinafter discussed. The government should allow its citizens to conduct the industries, and then levy taxes upon equitable principles. The business of the government should be conducted upon business principles; and all of the resources of the nation are subject to taxation. Except in cases of emergency, possibly, the government should at all times raise by taxation enough money to defray its expenses, and if, in an emergency, a debt is incurred, it should, as any business concern should do under the circumstances, pay the debt at the earliest convenient moment, if it cannot pay it when it becomes due.

Because the government may give its notes, as an individual may do, in cases of emergency, and because those notes may represent a potentiality which may perform some of the functions usually performed by money, as do the notes of individuals sometimes, no reason exists why a government should not pay its notes with money as individuals must do; nor is there any more reason why the government should run in

debt and issue notes or perpetuate the same for the sole purpose that they may be used as representatives of the potentiality that may perform functions usually performed by money than that an individual should do the same thing.

As a matter of business, what should our government do with its notes called "greenbacks" that are issues or reissues of war times? These are evidences of debts of the government as surely as notes of private individuals would be. They do not bear interest, but the government has a large indebtedness which does bear interest, evidenced by its bonds. Which should the government do first, pay its non-interest or interest-bearing obligations? What would a private individual do under the same circumstances? Pay those debts first which bear interest. But the greenbacks, that is, the non-interest bearing notes, are payable on demand, therefore it should, if it can, pay them when demanded, but not pay them unless demanded until all of its debts that bear interest are paid. And it is a certainty that the government should provide for the payment of said obligations payable upon demand, towit, the greenbacks, as fast as payment therefor is demanded. Some have advocated the policy that the government call them in and pay them, not in money, but in interest-bearing bonds, which would not

circulate as greenbacks do. But it is objectionable to increase our interest-bearing national debt for reasons hereinafter stated. The greenbacks should be paid in coin. It has been suggested that to pay the greenbacks in coin would lessen the volume of currency as well as would the method of payment of the greenbacks in bonds that would not circulate, because it is said that the coin to be used in payment of the greenbacks would be drawn out of circulation in the first place by the government in procuring the coin by taxation, with which to pay the greenbacks; but certainly, under the right of free coinage such as advocated hereinafter, the volume of circulating medium would not be lessened to the detriment of any one whether the greenbacks were paid in bonds or coin, because under the right of free coinage, if the demand of the government for coin enough with which to pay the greenbacks reduced the volume of coins below what the general demand called for, or if the retirement of the greenbacks by the issuance of bonds in their stead reduced the circulating medium too low, it would be immediately replaced by additional coinage.

It is time for the government to pay its debts, both interest and non-interest bearing. What would be thought of an individual with unlimited resources that

allowed his debts to run for over thirty years, even though the creditors were willing to extend them?

During the war the government drafted individuals and put them in the front to suppress the rebellion at the expense of their lives, and had it not been that there was more regard for the property then in the United States than for the lives of many of its citizens it would have drafted, that is taxed, values as it did men, and no debts would have been contracted. But the tax payers influenced the legislators to believe justice demanded that the financial burden of the war should be borne, in part, at least, by future generations. There are grounds for grave doubts as to the justice of such a policy, but, whether the policy be a just one or not, a generation has passed since the war, and though nominally the war debt has been somewhat reduced, still it is estimated that by the present standard, so much increased in value, as evidenced by cheap prices generally, the burden of the debt has not been lessened. What generation should pay the war debt? It cannot be that the present parents of the United States desire to saddle this debt upon their children or grandchildren. When they become conscious of the situation, they will insist upon the payment of this debt whether the standard be first reduced to its value at the time the debts were contracted or not.

While the pretense of those who seek to perpetuate the national debt is that justice demands that its burden be divided and borne in part by the different generations, in all probability, the real reason of their position is that they desire the privilege of owning interest bearing United States obligations; especially is this probable, in view of the existence of the present national banking act. By this act, still in operation, corporations organized under it may buy interest bearing bonds of the United States and deposit them with the government at Washington and draw interest on them, and may, by reason thereof, issue notes, which by the same act are legal tender equally with money, to the extent of ninety per cent of United States bonds owned and deposited by them, the payment of which notes is guaranteed by the United States, and upon the issue of such notes such banks can charge interest thereupon, thereby realizing double interest upon a certain amount of their capital.

For illustration, suppose a national bank to buy \$100,000 worth of United States bonds and deposit them with the government. The bank then will receive interest from the government thereupon, and then the bank may issue of its own notes \$90,000 worth in amount, that is, make its own notes to the amount of \$90,000 serviceable as money and charge interest thereon when loaning the same.

The people interested in the present United States banks advocate the perpetuation and extension of this system. They advocate the conversion of the non-interest-bearing greenbacks into interest-bearing bonds of the United States, that they may buy and own them, that they may draw double interest upon their money.

It is the history of all nations that national debts once created are not only perpetuated, but increased continually in amount instead of lessened and paid. This fact is evidence that the creditor class controls the legislation of the world, as such a system inures to their benefit, to the detriment of the other class. Therefore, let the demand go forth for the payment of the United States debts, greenbacks upon demand, but otherwise interest-bearing bonds first. With the payment of the bonds down will go the national banking system, of necessity, if it be not sooner terminated.

The act of coining money by the government is the least of the wrongs that the government has committed in relation to the money question. What others are there? Reference will only be made to enough of them to impress upon the reader the necessity of adopting the method herein contended for.

The government started out wrong. The original coining act of 1792 violated a natural law in other respects than in attempting to coin money. After provid-

ing for the free coinage by the United States of both gold and silver coins, it provided in Section 11 of the act as follows:

“That the proportional value of gold to silver in all coins which shall by law be current as money within the United States shall be as fifteen to one, according to quantity in weight of pure gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be equal in value in all payments with one pound weight of pure gold, and so in proportion as to any greater or less quantity of the respective metals.”

Section 16 of the same act provided as follows.

“That all the gold and silver coins which shall have been struck off and issued from the said mint shall be a lawful tender in all payments whatsoever, that is, of full weight according to the respective values hereinbefore declared, and those of less than full weight at values proportionately to their respective weights.”

The act was equally as absurd as would be an act declaring that every cow bearing a government stamp should be equal in value to a horse bearing a government stamp. The values of gold and silver, horses, cows, everything, is controlled by the law of supply and demand; and if at the time of the passage of such a law so much silver was equal in value to so much gold, or a cow equal in value to a horse, as

the case might be, then while remaining equal the law would have no injurious effect, nor be productive of any good. But what would be the effect of the law when, notwithstanding the law, the values of the things should become different? But, first, it may be said, as some contend, that with such an act the values could not become different. Some assert that such an act creates an unlimited demand for both gold and silver, which fact in itself would keep the values together as established by the act. Let us see if this can be so. We know it cannot be so, because we know that the value of anything and everything depends, not alone upon one thing, but two things; not alone upon demand, but upon demand and supply. The supply of anything might so change as to offset or more than offset any change in demand. We can imagine an unlimited supply to wholly offset an unlimited demand, whereby an article would become valueless, notwithstanding an unlimited demand; but a free coinage act does not create an unlimited demand. Under such a law as the one of 1792, providing for the free coinage of both gold and silver as presented at the mint, providing also a ratio of value between them, and providing that both, when coined, shall be a legal tender in all payments whatsoever, there is not an unlimited demand.

Free coinage is not unlimited coinage. There is a limit to the amount of money that can be utilized. Suppose the real ratio of value of gold and silver established by the law of supply and demand to be fifteen to one at the time such a law as that of 1792 was passed, and suppose for a time after the passage of the act the demand and supply of both gold and silver to continue as at the time of the passage thereof. During the same time it would really be the general demand, in connection with supply of the metals, and not the act, that would fix their values. Suppose later the supply of silver to be so increased as to lessen its value and then to be produced and coined at a faster and greater rate, but gold to be only presented for coinage at the regular rate, and suppose silver to be coined faster than needed by business, but that people would not exchange other property for silver coins any faster than at the time of the passage of the act; suppose this condition to be kept up for a considerable period; the result would be that there would accumulate in the hands of those who coined the silver a surplus of silver coins. Silver coins would thereby increase in proportion, while other gold coins would not so increase. As a result, when those who coined silver competed with those who coined gold, in the purchase of other property, those who coined silver could outbid those

who coined gold. To get the other property desired, those who possessed the silver coins could give more silver coins for the article than those who coined gold coins could give gold coins therefor; as a result, the prices of things would rise, and as the different silver producers, with their stock of silver continually increasing, entered into competition with each other for the purchase of other species of property, they would bid over each other, and thereby drive the prices of such articles continually higher, and the greater the supply of silver the higher the prices would rise, until perhaps the greatest amount of silver would purchase but the smallest amount of other property. Of course, all existing obligations would be paid in silver, but there would be a limit to existing obligations; and as silver would command less and less all the time of other things, new obligations would demand more and more silver all the time; as a result, gold would not be used in business, and all prices would be fixed on the basis of the value of silver, as fixed by natural laws, and not as the statutory law had attempted to fix it, and the prices might continue to rise until no amount of silver would buy any amount of anything else of value. In other words, the demand for silver as money, even under the free coinage act supposed, would entirely cease, and silver have no real value

whatever. In other words, under facts as above stated, the natural laws of supply and demand, and not the statutory law, would regulate the value.

It may be said that the illustration is valueless to aid in the solution of the real question, because in fact no such supply of silver exists; but, in truth, the illustration is of value, because it will be observed that the prices of things began to go up the moment that silver began to be coined at a greater comparative rate than at the time of the passage of the law. That is, the relative value of silver with the value of other articles began to change the moment the increased rate of coinage of silver began, and in this case the relative value changed because of the increased production of silver. The truth is that silver decreased in value, as evidenced by the increased price of other articles, notwithstanding the statutory law. In other words, no statute can effectually contravene the natural law and control the value; at least, it cannot by passing a law affecting demand only; but to do so it would have to pass a law affecting both supply and demand. No one has yet even suggested a *law* prohibiting the production of any natural product for the purpose of controlling the value of so much of the article as already produced; certainly the law of 1792 did not contain any such provision.

From what has already been said, it is evident that not only will a law attempting to establish a ratio fail to maintain it, but also that if the real ratio shall differ from that attempted to be established by the act, that the metal overestimated in value by the law will drive the other out of circulation as money. This can be shown in another way.

Suppose a law, as that of 1792, to establish gold and silver both as legal tender money, and establish a ratio between them of fifteen to one; suppose thereafter, by reason of an increase in the production of gold, it to become of less value, as compared with silver, than when at the ratio of fifteen to one. For illustration, suppose fifteen ounces of silver to become worth two ounces of gold, that is to say, suppose a condition of things under which it would be equally profitable to produce fifteen ounces of silver or two ounces of gold, or more expensive to produce sixteen ounces of silver than one ounce of gold, then, under such a condition of things, no one would produce sixteen ounces of silver to be used for a purpose that could as well be accomplished by the use of one ounce of gold; therefore, gold alone would be coined to be used as money, and silver would be used not for money, but in the arts and in other ways where demanded.

It is certain that two metals will not remain in circulation as money where a ratio is established by law

and coins of both metals are made legal tender, unless the real values correspond with the legal ratio.

The privilege of free coinage of gold and silver at the United States mint existed until 1873, in which year a law was passed prohibiting thereafter the further coinage of standard silver dollars, as those theretofore provided for were called. From 1792 until the passage of this law of 1873, from the information at hand, it may be stated that the ratio of value between gold and silver did not remain at fifteen to one, but ranged from fifteen to one to seventeen to one. From the considerations hereinbefore advanced, this was due to the natural laws of supply and demand, and the law of 1792 did not prevent it; as a result, history proves also that, during the period from 1792 to 1873, when the real values differed from that declared in the act, the metal under-estimated by the act went out of circulation as money.

The values of gold and silver, then, in 1873, when the law before referred to was enacted, stood as created and controlled by the then supply and demand of them. One source of demand for silver at that time was for silver dollars. By the act of 1873, the coinage of standard silver dollars was thereafter prohibited, of necessity, therefore, by natural laws, what must have been the effect of that law upon the values of gold and

silver? By that law thereafter there was a less demand for silver, and because thereof gold was called upon to perform more of the functions that theretofore both gold and silver had performed. There was an increased demand for gold, therefore gold must have increased in value and silver decreased in value, unless simultaneously therewith there were incidental changes in the supply of gold and silver that offset the changes in the demand therefor. Any one, then, standing in 1873 and looking into future years, could have seen gold rise and silver fall in value, barring offsetting changes in supply. Since by that act thereafter gold was to be the legal standard, that is, values of other things were to be compared with and expressed in terms of gold, the man looking into the future could have seen the value of gold parting company with the values of other articles, that is, their values going further and further apart on account of the increase in the value of gold, and, as a result, that it would take more and more of other articles to get a certain amount of gold, that is, the prices of other articles would all the time continually decline. Such a condition of things could a man in 1873, guided by the light furnished by a knowledge of the laws of supply and demand, have discerned in the future.

Time now having elapsed, we can see whether or not experience has proved what might have been pre-

dicted. Barring the effects that were produced by two different special silver purchasing acts, to be hereinafter referred to, history has proved the truth of what might have been predicted. It is an indisputable fact that the prices of things generally since then have gradually declined, and we know that it must have been caused, in part at least, by the increased value of gold. Why do we know this? Because the law of 1873 increased the use of and demand for gold, and, therefore, must have increased the value thereof in the absence of any offsetting increased supply thereof. An increased value of gold, which is the standard, would be evidenced by a decrease of the prices of other things generally, and the prices of things generally having decreased, it is very probable that no increased supply of gold offset the effect of the increased demand therefor, caused by the law of 1873, but that the decreased price of things generally is due to an increased value of gold. Again, a condition of decreased prices is a fact; increased demand for the standard is a fact also and constitutes a sufficient cause for the condition of decreased prices; therefore, in the absence of the known operation of any other cause, it becomes probable that the cause known to be in operation was the producing cause.

True it is that had gold remained stationary in value and the value of other things generally have de-

creased, that decreased prices would have resulted therefrom, but it is much more improbable that gold has remained stationary in value and that things generally have decreased in value than that gold has increased and things generally remained stationary, since it is more improbable that many things would change much than that one thing should so change, and especially when, as in this case, there is a cause known to be in operation sufficient to produce such a change in the one thing.

What injustice, if any, has been caused by this? At the time of the passage of this act of 1873 our national debt amounted to billions of dollars, payable in coin. It was a debt principally created in suppressing the rebellion from 1861 to 1865, and at the time the debt was created the coins consisted of both gold and silver. Besides the large national debt then existing, there were large state, county, city, township and school district debts, besides extensive private indebtedness, many with long standing periods of time to run before becoming due. In no country, in no equal period of time, has there ever been such business activity as within the United States between 1873 and the present, and, as a result, all indebtedness, with the exception of national, and, perhaps, of some state debts, has been largely increased. With this condition of

things existing since, what has been the effect of the passage of this law of 1873? Since gold went up, as must have been the case, and as evidenced by the fact that the prices of things generally went down, more of the products generally had to be sold to raise enough money with which to pay debts when they became due than had to be sold to raise money to loan at the time the debts were contracted. In other words, every debt of every character then existing and since contracted, extending over any considerable period of time, has substantially been increased in amount to the extent that gold has risen in value, that is, to the extent that the prices of things generally have declined.

But the fact that the act of 1873 has increased the burden of every debt, is not the only charge that can be laid at its door. Nearly, if not quite, as important as the fact that the standard should remain stationary in value is the matter that there should be a sufficient quantity of the medium of exchange that trade may be unhampered. In this connection, remember the illustration hereinbefore given, whereby it was shown that with debts contracted and a total extinction of money, that all the property of the debtor might pass to the creditor and the debts still exist, and shown also that the same process, only to a lesser degree, operated whenever there was an insufficient volume of money, though not an entire want of it.

It is said that there is at present an insufficient volume of money, and the cause thereof is attributed to the same act of 1873. How can we ascertain whether or not there is an insufficient volume? While it may be true as to any one particular article, that there may be produced of it at a particular time, even under natural laws, more of it than there is a demand for, still as to things generally, where natural laws are free to operate, the supply of them will just about meet the demand therefor, not much fall short of it nor much exceed it. Therefore, whenever one has a debt coming due, if he has any product on hand he should have no difficulty in selling it to procure money with which to pay his debt; whenever there is any difficulty in that respect, then, certainly, there is an insufficient volume of money in circulation, due either to an insufficiency of volume or to a rising standard which encourages hoarding, because with such a standard profits can be realized in hoarding without hazards incident to use. But what has been the fact in this regard of late years? It cannot be successfully contradicted but what of late years there has been great difficulty in selling products generally. There has been no scarcity of products to sell, but instead a great stagnation of sales. Granaries, warehouses, and stores have burst

from pressure within. The owners of the products, too, have been debtors, anxious to sell that they might raise money with which to pay their debts, yet sales have been comparatively limited because people who wished to buy could not buy because they could not sell their products, and thereby obtain money with which to buy. Therefore, if our criterion is right, there is and has been an insufficient volume of currency, which, in part, at least, has been the cause of the industrial depression.

Has the act of 1873 been an integral factor in producing this most lamentable condition of things? It prohibited the coinage of the standard silver dollars; it prohibited the free use as money of one of the two chief products that had theretofore been used as money by all of the leading nations of the world since early biblical times; and the fact is indisputable that there has been ever since the prohibitory act was passed, a sufficient quantity of silver to have supplied any demand that might otherwise have been made upon it for use as money; therefore, it is true, that had not the operation of the natural laws of supply and demand been interfered with by the act in question, that enough silver would have been coined to have met the demand for silver money, and certainly, silver money is better than no money. To the act of 1873, then,

must be attributed the facts that the burden of every debt has been increased and the volume of money has been reduced below the demands of business, and subsequent hard times have been caused, in part at least, by the passage of that law.

Some have said that from 1792 to 1873 only about five million dollars of standard silver dollar coins had been made, and that none of them were in circulation in 1873, therefore, no demand would have existed thereafter for them in the absence of the act of 1873. But, certainly, that is not so if gold would have increased any in value without the act. It is said that when the act was passed that silver was a little more valuable, as compared with gold, than as fixed by the legal ratio theretofore existing; if that was so, it accounts for the fact, if it were a fact, that silver was not in circulation, as shown by the illustration hereinbefore contained, where silver drove gold out of circulation when silver coinage increased faster than gold coinage under the fixed legal ratio.

But though only five million dollars in standard silver dollars had theretofore been coined, and those were not in circulation, still, if the act of 1873 had not been passed, if gold had increased in value and become equal to and then exceeded the value of silver as fixed by the ratio, then, immediately, the demand

for silver dollars would have begun and they would have been coined, and their circulation thereafter followed, until gold might thereafter again have fallen down to or below the value of silver at the fixed legal ratio.

Is it to be wondered at, then, that the passage of the law referred to has been denominated the "Crime of 1873?" Probably but few acts, if any other single act in the history of legislation of the world, have ever caused so much injustice. In this connection the motives of those who instigated the legislation is at least a subject of interesting inquiry.

In 1867, soon after our war closed, when our national debt was very large, as well as the debts of the nations of the old world; when silver was worth no less than gold at the then ratio fixed by law, and it is said, was worth a little more than gold at that ratio, a monetary conference, so-called, was held in Paris, attended by influential legislators of many of the leading nations of the world that were in debt. It was decided by those in conference that they would each go home to their respective nations and use their influence to demonetize silver. Our act of 1873 was the result in the United States. Following this conference of 1867, several of said countries represented at the conference, passed similar acts demonetizing silver in

their countries. The effect has been told. It benefited to an enormous extent, the creditors of the world, to the detriment, to an equal extent, of the debtors. It cannot be thought for a moment that the conference was called without design, nor can it be said that the debtors called it and controlled its action. There was no public demand for the conference, nor for the passage of the acts referred to following the conference, nor any serious evils in regard to money calling for remedy. If there was an evil in this country in 1873 calling for remedy, it related to the resumption of specie payment, that is, to the payment in coin of the government notes issued during the war. But certainly, no one could have thought that it would be easier or more conducive to justice, for our government to pay its debts in coin after demonetizing one of the principal metals then and theretofore coined into money. It certainly made it harder instead of easier, and produced injustice instead of justice. It is therefore probable that a comparatively few shrewd men, being the principal creditors of the world, foresaw that by the demonetization of one of the principal metals and the establishment by law of a single standard, thereby imposing upon a single standard the duty of performing the functions that theretofore had been performed by

two metals, thus increasing the demand for and therefore the value of the metal of the single standard in the absence of any incidental off-setting change in its supply, they would gain to the extent that the single standard increased in value. Probably these men, in their own interest, induced the calling of the conference, and influenced the members of the conference to pursue the course which they did pursue, and which has resulted so beneficially to the creditors and so disastrously to the debtors and so demoralizing to the best interests of the country at large. In the absence of satisfactory proof to the contrary, no member of the conference or of the legislative bodies of the respective countries represented at the conference, should be accused of intentional wrong in performing any instrumental act in the matter; but, instead, mistake in judgment upon their part is presumable. But, whatever it was, the results are the same.

Some may wonder what it was that determined the creditors, if they did instigate the actions, as they probably did, as to which, gold or silver, they would try to have established by law as the single standard. It is certain that the demonetization of gold and the establishment of silver as the single standard would have benefited them; it would have increased the value of silver, as it did the value of gold, by increas-

ing the extent of its use and therefore the demand for it. The question must have been agitated by them, "Which will benefit us the more?" They must have concluded to demonetize silver upon considering that the quantity of silver was much more than that of gold, and its value in proportion to its quantity much less, and because thereof there was less danger of any incidental increased supply of gold to offset the tendency of gold to increase by reason of a greater demand, than there would be of an incidental increase of supply of silver to offset the tendency of silver to increase in value by reason of an increased demand therefor.

As stated by way of exception, subsequent to 1873 there were passed two laws providing for the purchase of silver by our government. One was passed in 1878 and the other in 1890, but neither are now operative. They provided substantially for the purchase by the government of certain quantities of silver bullion at the market price, and for the coinage of the bullion so purchased into silver dollars to be issued by the government. Of course one result of compliance with the terms of these laws was an increased demand for silver bullion, whereby the value thereof was increased; and another result was an increase in the amount of our circulating medium. They, therefore, somewhat offset

for a time the opposite tendency caused by the law of 1873, and postponed the coming of all the evils that were destined to follow that legislation. As some poisons are antidotes to others, so this vicious legislation somewhat offset for a time the vice of the act demonetizing silver.

That it is vicious under normal conditions for a government to buy silver, there can be no question. That the congress that passed the last of the two acts in question knew it to be so there can be no question, because it is an open secret that it was caused by a corrupt deal and understanding between the members of congress representing different sections of the United States. Representatives and senators in congress in certain sections wished to pass a "protective tariff" law by which silver purchasers received no benefit in their business; and representatives and senators in congress from certain other states wished to pass laws directing the government to purchase silver to benefit the silver producers of their constituents. Neither wing would help the other without the favor were reciprocated, and the understanding was reached that each would vote for the vicious legislation proposed by the other. Each did so, and as a result their favorite measures both became laws.

If it is not wrong to buy silver, why would it not be right to buy wheat, cotton, anything, everything? If what we call a principle, be a truth, that the rights of all are equal, and that it is the duty of a government to maintain that equality of rights, then, certainly, no government should do any acts to help any of its citizens to the detriment of its other citizens.

Reflecting upon what was said in a preceding chapter, it will be seen that the silver purchasing acts were socialistic in tendency. In another connection, more will be said relative to protection and other laws designed to help some, and thereby, of necessity, injure others.

## CHAPTER XIII.

### MONEY (Continued).

#### FREE COINAGE.

The platforms of the different parties that supported William J. Bryan for president of the United States in the recent national campaign, all contained planks substantially demanding an immediate restoration of the free and unlimited coinage of gold and silver at the present ratio of sixteen to one. The platforms all contemplated, and some of them expressed it, that the silver dollars so coined should be a legal tender, equally with gold, for all debts, public and private, past and future.

Should such a law be enacted and put into operation, many of the functions of money now performed by gold would then be performed by silver; the effect of this would be, that thereby the demand for gold would be lessened and the demand for silver increased, and as a result gold would decrease and silver increase in value.

During the campaign, it was contended by many of the supporters of Mr. Bryan, that the processes of gold

declining and silver increasing in value, following such a law, would continue until the values of gold and silver would meet at the ratio of sixteen to one, that is, continue until, for illustration, sixteen ounces of silver would become equal in value to one ounce of gold, and there remain.

That gold would decline in value, and silver increase in value, from the operation of the natural laws of supply and demand, is certain; but that their values would meet and remain at said ratio is uncertain.

It was stated, that because from 1792 to 1873, under the free coinage laws in the United States, said metals remained substantially equal in value at said ratio, that, therefore, they would again assume the same relation in value under like laws, and there remain. But this conclusion is not justifiable, because the demonetization of silver in the United States by the law of 1873 was not the only cause that operated to make the values of gold and silver part company.

The desire for both gold and silver for use as money, and in other ways, is world-wide; and therefore the demand of the world, and not of the United States alone, controls, in connection with the supply, the value of silver; and, in fact, not only did the United States demonetize silver to a certain extent by the law of 1873, but between 1867, the time of the Paris con-

ference and the present, several leading commercial nations of the world, other than the United States, demonetized silver to a certain extent. So that in truth and fact the law of the United States of 1873 did not alone cause silver to decline and gold to increase in value. But certainly the change in their comparative values was caused, in part at least, by the demonetizing laws of these commercial nations.

For reasons assigned, in discussing the ratio fixed by the law of 1792, if the values of silver and gold should not again meet at the ratio of sixteen to one under a free coinage law, then the metal underestimated in value by the ratio would be driven out of circulation, and the one overestimated would be the sole circulating medium as money. It would be important whether or not the money so circulated would be equal in value to its value in 1873; for if its value under such a new law would be less than its value was in 1873, then debts contracted before then and still unpaid, as in the case of some public debts, if not some others, would be payable in money of less value than the money received when the debt was contracted; and to that extent, the charge of repudiation would be true.

As to all debts contracted at any time since 1873 and still unpaid, as to whether or not there would be substantial repudiation in any degree, would depend

upon whether or not the money in circulation would be of less value than was the money received at the time such debts were contracted.

As gold has continually increased in value since 1873, debts contracted of comparatively late years have been contracted upon the basis of a dear dollar, as compared with the dollar of 1873; and, therefore, under such a new law, there would be more danger of partial repudiation in case of debts recently contracted than in case of those of long standing. As to what would be the result, no one can foretell to a certainty.

The Republican party, whose candidate for president, William McKinley, was successful at the last election, declared in its platform that the party was "opposed to the free coinage of silver except by international agreement with the leading nations of the world," which it pledged itself to promote. And it further declared that "until such agreement can be obtained the existing gold standard must be maintained at parity with gold."

Inasmuch as the United States is a debtor, and, generally speaking, its citizens, too, are debtors, and their creditors are, generally speaking, citizens of the other "leading nations" referred to in the Republican platform; and inasmuch as such citizens are no doubt influential in fixing the international agreements of

such nations, and their laws; and inasmuch as a free coinage law would be detrimental to the interest of such citizens, it may be concluded with reasonable certainty that the Republican party will never be able to bring about any such international agreement, and, therefore, the success of the Republican party means a perpetuation of the single gold standard, which means a continuous extortion by the creditors of the debtors.

At the last election, then, in deciding which candidate to support, the voter had to decide between the perpetuation of a system of extortion and robbery by those who had enjoyed the benefits of the system for over thirty years, and a system which might result in partial repudiation in some cases. The voters had to decide between two policies, both of which were wrong in principle; one of which would certainly perpetuate a wrong, and the other of which might result in wrong in some cases, but, if so, had in its favor the extenuating circumstance that the position of the parties to contracts would be changed, the creditor thereafter suffer to the advantage of the debtor.

Some advocated that what was just could sooner be obtained by perpetuating the evil as it then existed, and voted for the Republican candidate; and others thought that if the ratio of sixteen to one was not just that it constituted the quickest route to the desired end,

and that in any event retaliation was better than continued extortion and robbery by the same class of the same class.

The opposing parties having both been wrong in the last national campaign, what an excellent opportunity now exists for a compromise upon exactly the right thing—that is, of course, upon the passage of a law providing for the free coinage of silver without attempting to establish any ratio of values by statutory law, the silver dollars to be the same as the old standard silver dollar.

After such a law should go into operation, there would be in existence gold coins, as at present, and new silver coins like those now existing, but with their comparative values depending upon natural laws. The present law now provides for the free coinage of gold.

Let us first consider such a law as affecting the future, that is, affecting contracts made after the passage of the law, and afterward its effect upon contracts existing at the time of its passage. Of necessity, upon the passage of such a law, silver would increase in value because of the additional use to which silver might be put thereafter, and gold would decrease in value because of the lessened use of gold thereafter to the extent that the use of silver would thereby be increased.

With such a law in operation, in making a contract,

the parties thereto would generally expressly provide whether payment was to be made in gold or silver. The real values of each, gold and silver, would quickly become generally known.

In selling an article, one might declare that he would only sell it for so many dollars of gold; another that he would only accept in payment for it so many dollars in silver; or some person might propose to accept in payment of an article offered for sale so many dollars in silver, or so many dollars in gold.

If, under such a law, gold and silver should meet and sustain the relation toward each other in values of, for illustration, thirty-two to one, then the price of an article would be stated to be two in silver or one in gold, since in coins of gold and silver of present weight and fineness there is sixteen times as much silver in weight in a silver dollar as there is of gold in a gold dollar. If under such a law the real values of gold and silver should come to sustain the relation toward each other of sixteen to one, then, since coins are made of the size as above specified, the price of an article would be the same in terms of both coins, that is, for illustration, one dollar in gold or one dollar in silver.

So in the making of a contract providing for the payment of money in the future, the contract might ex-

pressly provide for the payment of silver dollars or of gold dollars, as the parties might agree.

Under such a law, where there would be no interference with natural laws by statutory laws, experience would soon teach which would be the more stationary in value, gold or silver. If there should be any substantial difference in this respect, then the one most stationary in value would generally be used; but the parties would be at liberty to contract in terms of either. If there should be no substantial difference in the stability of the values of the two, then, no doubt, both would be used to a large extent; and if the contract did not express more specifically than simply in dollars in what payment should be made, then the party required to make payment under such a contract could pay either kind of dollars, as payment in either kind would fulfill the terms of the contract.

Under such a law a legal tender act could as well be passed. A legal tender act is of no value in cases of payment on contracts that specifically provide in what payment is to be made. A legal tender act provides in what payment is to be made when the contract does not by its terms provide. And in any case where a contract is not fulfilled and suit is brought and judgment is obtained, and in cases of suits to recover damages for breaches of contract or commis-

sions of torts, the law could provide that the verdict should express the kind of dollars, silver or gold, in which the verdict is rendered. If, then, under the judgment, property other than money were levied upon and sold to satisfy the judgment, at the sale bids should be made in the terms of the money specified in the verdict and judgment which follows the verdict.

Under such a law, not only could either kind of money be used as the parties might agree—and would the one kind certainly be used to the greater extent which proved to be the better as a standard of value, as a medium of exchange and with which to pay debts—but any one could store either that he chose; whichever he thought would be less apt to decrease in value while stored.

As hereinbefore stated, all articles vary in value somewhat; there is no ideal standard, no ideal money. Experience has shown that gold and silver make better money than other things. If under natural laws either gold or silver in the future should prove unworthy for use as money, it would fall into disuse; and if any other article proved itself to be superior to either gold or silver, or both, then people should be free to use it as money.

It will be admitted to be true, without argument, by those impartial in judgment, that it is safer to fol-

low natural laws than statutory laws that contravene natural laws; that the nearest approach to justice possible on earth will most certainly be reached by compliance with natural laws, while a disregard of them will most certainly result in injustice.

Nor do natural laws need the assistance of legislative acts to aid them in their operation. They will most certainly operate with or without legislative act, and reward those with justice who regard them, and punish those who go counter to them.

If natural laws regulate the comparative values of gold and silver, then the enforcement of legislative acts that attempt to enforce provisions relative to comparative values differing from real values will result in evil as certainly as would the enforcement of a legislative act requiring citizens to put their hands into fire, in which case, by a law of nature, the human tissue will thereby be destroyed, notwithstanding any legislative act relative thereto.

Does not such free coinage as suggested leave the values of the articles to be used as money to be settled by natural laws, and leave people free to choose that which is best to be used as money? If so, it is the best possible human law. Any legislative act is futile that goes with natural law, and a positive evil that violates it.

Under such a law, it would be better if the coins of the different metals could be named differently, so that confusion might not arise. As neither of two individuals both named John are specified by calling John, but to be distinguishable by name, must each have added to his name other and different names, as John Henry and John James, so with a certain number of grains of gold called a dollar, and a certain number of grains of silver also called a dollar; neither are named, but to be named, other distinguishing names must be added, such as silver in the one case and gold in the other, making the complete names—gold dollars and silver dollars. But no principle is involved in the matter of names, and, therefore, rights are not involved, but only the matter of convenience.

It will be remembered that the volume is a very important matter in connection with the subject of money, and it will be seen at once, upon reflection, that under such a free coinage law, as above suggested, there is the least possible danger of an insufficiency occurring.

Of course, if money were left wholly free to evolve naturally; if there were no law upon the subject; if individuals were free to coin anything for which there was a demand as money, then there would still be less danger of an insufficiency occurring. But that is only a desideratum.

Under the law as at present existing, permitting only the coinage of gold dollars, or under the law of free coinage at the ratio of sixteen to one, as advocated by some, where the real values might not correspond with those fixed by statutory law, and where, therefore, as hereinbefore shown, the money underestimated in value by the ratio would be driven out of circulation as money, there certainly would be more danger of an insufficiency of volume than in the case of the free coinage of both without a ratio, where neither would be driven out of use unless one metal proved itself to be better money than the other by reason of greater stability of value, or of some other superior quality; in which case the poorer money would be driven out of use, or in all probability the poorer money could not be driven wholly out of use if there was an insufficient volume of the better money; but the poorer money would be continued in use as money to the extent that the better money was insufficient.

Under such a law, as in all cases where no statutory law interferes with natural laws, the supply would always about equal the demand, never much exceed it, never much fall short of it; because if at any time the demand should exceed the supply, the article would rise in value, and there would then be more profit in the production of the article. To realize the

additional profit increased production would follow, until the demand was fully supplied, and there were no unusual profits; then production would be lessened until demand would again call for it in offering an increased profit therefor.

What causes hard times and financial panics? If they are caused in any degree by evils of a monetary system, whether by a fluctuating standard or an insufficient volume of money, the danger thereof would certainly be reduced to the lowest degree under a law as suggested herein, if natural laws are more reliable than legislative acts that contravene them; and in all probability, under such a law as herein proposed, a financial panic would never again occur.

But this subject of the volume of money should not be passed over without calling the attention of the reader to the connection between the money question and the land question, as discussed in Chapter VI. Even with the free coinage of gold and silver without a ratio fixed by statute, does it not occur to the reader that under laws as they exist today relative to the terms upon which individuals are allowed to possess exclusively parcels of land, that a combination of the owners of land containing gold and silver might be made whereby the volume of money might be controlled, and equity of contracts destroyed, and every

evil result that would result from a fluctuating standard or an insufficient volume of money?

The number of parcels of land within the United States, and within the world, that contain either gold or silver, are exceedingly few as compared with all the land of the earth. What is there to prevent the few who control the debts of the world to acquire, in the interests of the creditors, the ownership of the lands containing gold or silver and then control the amount of the product therefrom? If these few be sufficiently influential to direct the legislation of the leading commercial nations of the world on the money subject in their interests, as we believe they did following the Paris conference in 1867, even if they do not acquire ownership of gold and silver mines, may they not influence the owners to manipulate them in the interests of those controlling billions of the world's debts? If those debts can be doubled or trebled or increased in amount substantially by limiting the output of the mines, might not the benefits thereby to accrue to them as creditors, as did benefits accrue to creditors by the law of 1873 demonetizing silver, exceed the benefits that might otherwise accrue as profits in operating the mines, especially as neither gold nor silver, being elements of nature, would decay, but could be mined at any time thereafter; and, if so, is there not danger

of such manipulation under a system of holding land that imposes no terms as conditions at all commensurate with the advantage accruing from the privilege of holding it?

Perhaps such combinations have heretofore limited the output of gold mines, thereby affecting the values of all other articles, in terms of gold, used as money. Who can say such has not been the case? It has been reported that similar combinations have affected the output and value of the product of other mines and wells, as those of coal and oil. The possibility thereof arises—with no improbability of realization—from the fact that the number of places of the supply of gold and silver are comparatively few, together with the insufficient amount of taxation imposed upon real estate values.

But with taxation imposed upon principles announced in Chapter VI, the tax upon the mine would be the same whether operated or not; and no doubt the advantage that might accrue from holding a mine and not operating it would not exceed, if it equaled, the amount of the taxes; therefore, no inducement to limit the natural output of the mine would exist, and no interference therewith would be attempted. But, later, references will again be made to the relation and comparative importance of the subjects treated herein.

A law such as we have been discussing, one providing for the free coinage of both gold and silver, without providing a ratio, might be passed, and specifically limited in its operation to time subsequent to its passage, having no effect upon pre-existing contracts or money except such as would necessarily result from a fall in the value of gold, consequent upon an anticipated lessened use of gold in the future.

By such a provision all silver dollars extant at the time of the passage of the law would still be legal tender for prior debts, the same as though no change in coinage were made. As to past contracts, everything would continue as before, but the new silver dollar would not be legal tender in payment of obligations bearing date prior to the enactment of the law in question.

But would any injustice result if the law now being considered should provide that silver dollars coined under the new act should be legal tender in the payment of all prior obligations except where payment in gold is specifically provided, that is, be legal tender in all cases where prior silver dollars would be legal tender?

In seeking an answer to this question it is material to consider the facts, that somewhat on account of and since the passage of the act of 1873, demonetizing

silver, gold has almost, if not quite, continuously increased in value; and that on account of the passage of the new act proposed, gold would somewhat decrease in value and silver somewhat increase in value. Of course, if under such a law silver should rise in value so that one dollar in silver would be equal in value to one dollar in gold, as the gold dollar was of value in 1873, then all debts contracted on or before that date, as in the case of some of our national debts, and perhaps in some other cases, could be paid with our new silver dollars without injustice.

And as to any debt contracted since then, if under our new law silver should rise in value, so that one dollar in silver would be equal in value to one dollar in gold, as the gold dollar was of value when the debt was contracted, then no injustice would result from the payment of that debt with the new silver dollar.

It is certain that under a law such as is now being considered, silver would rise in value as much and gold decline in value as much as they would do under a free coinage law which attempted to fix a ratio—no more, no less; since, as hereinbefore shown, it would be the natural laws of supply and demand in each case that would fix the values of both gold and silver. But, as formerly stated, it is impossible to determine to a certainty what the values of gold and silver would be un-

der such laws. We know the comparative values of gold and silver would change, but just how much cannot be foretold.

It would be just to pay in new silver dollars those debts contracted at a time when the value of the gold dollar at the time did not exceed the value of the new silver dollar at the time of payment; and unjust to the creditor to pay with the new dollar in those cases where the debt was contracted at a time when the value of the gold dollar at the time of the contraction of the debt exceeded the value of the new silver dollar at the time of payment. These results would be more likely to occur in the cases of those debts contracted recently, comparatively, since in recent years gold has been very valuable compared with its value in the year 1873 and in the few years immediately succeeding.

Because gold has, generally speaking, continually risen in value since 1873, and because of existing contracts, there are those of date of each year, if not of each month, since the passage of the law of 1873, and because the exact effect upon the values of gold and silver of such a law as now being discussed, cannot exactly be foretold, it cannot be said to what extent, if any, injustice would result from the passage of such a law. But bear in mind that injustice would result to

the debtor if he be required to pay in money that has increased in value since the debt was contracted, as gold has certainly increased in value; therefore debts might be paid in new silver dollars under the law, not equal in value to the gold dollar just before the passage of the law, and no injustice result therefrom.

It seems absolutely certain, in view of the complex condition of things, that in no event can there be an adjustment of all existing contracts in such a way that no harm will result. Debtors since 1873 of executed contracts have suffered injustice that cannot now be remedied. As to parties to existing contracts, and as to parties to all future contracts, if there be no change in policy, the debtors thereto will certainly suffer from a rising standard, and with a change of the nature now being discussed, that is, a change providing for free coinage without a ratio and making silver dollars coined under the act legal tender equally with existing silver dollars in the cases of contracts existing at the time of the passage of the new law, injustice may result to some creditors.

Under the circumstances, it is difficult to advise as to the course to be taken. The difficulty is the fruit of the vicious legislation of 1873, brought about, no doubt, through the influence of the world's creditors of that period. If they only were to be affected, the

course to pursue could be easily decided upon, but later, and especially small creditors are as virtuous as debtors and their rights as sacred.

The solution of the question whether or not silver money issued under a free coinage act without a ratio should be made a legal tender in payments of debts antedating the passage of such a free coinage law must be settled by the conscience largely; advice in the matter would be somewhat impertinent; but as to a free coinage act in its application to contracts to be made after the passage of the law, there reason dictates the conclusions, and because of a feeling of certainty of being in the right, advice has been freely volunteered.

## CHAPTER XIV.

### TAXATION.

In the exercise of its functions to maintain in society the natural equality of the rights of men, the government necessarily incurs expenses; and the function of collecting taxes to defray such expenses necessarily arises as incidental to the performance of its other functions.

Of course, in the collection of taxes, the ever guiding principle of maintaining the rights of men equal must be scrupulously adhered to. An injustice must not be committed in one respect that justice may prevail in another. Naturally enough, as we discovered the necessity for the exercise of one of the functions hereinbefore specified, we at the same time discovered that the very exercise of that function produced a fund for the government (Chapter VI).

Some have contended, and perhaps shown satisfactorily, that said fund will exactly defray the expenses of government in economically administering all of its proper functions and none others; but in a recent book on "Natural Taxation," by Thomas G. Shearman, it is contended, with apparent success, that all of the

expenses of the national, state, county, municipal, and township governments, as at present administered, do not equal the amount of said fund.

However that may be, certain it is that that fund must first be used to defray the government expenses before any other values are collected for the purpose, because the government owns the fund—the existence of the fund being necessarily incident to the existence of society maintained upon equitable principles. The government must as certainly use this fund of its own in the first instance, and before requiring any of its citizens to contribute of the fruits of their labors with which to defray its expenses incurred in operating the government, as it is certain that an individual in performing his personal duties should support himself with his own funds rather than with money begged of friends.

For a government not to collect this fund to be used for the purpose indicated, but instead to allow others to appropriate it, might be likened to an individual failing to collect wages due him, and thereby being compelled to beg of others means for his support.

If the argument of Chapter VI be unanswerable, if it be admitted that the government should do as therein contended, then it is self-evident that the fund derived from the performance of that duty must first be used by the government in its outlays.

For identification, it may be well to state that that fund is exactly the same fund, created in the same way and for the same purpose, as the fund advocated by those now generally known as the "Single Taxers." Those who advocate this system of taxation are called "Single Taxers" because generally they believe that the fund thus secured will suffice to defray the government expenses incurred in doing those things, and only those things, which it ought to do, and that no other tax will be necessary, and that if the government will collect this fund that belongs to it, it will not be necessary for it to discourage industry in any degree by imposing a penalty in the form of any tax upon industry, upon those who work, economize, and thrive.

Let it be restated in this connection that the tax advocated in Chapter VI imposes no burden upon industry, takes nothing created by labor, but, instead, that value of land created by the increase of population, by no one alone, but by the fact of the existence of all together. It is, therefore, the fund of all, and by taxing it the rights of all remain equal. If the government does not take it, some individuals will; and those who take it gain advantages over others, thereby destroying equality of rights.

Inasmuch, however, as all may not be certain at present that that fund would be sufficient to defray all

of the expenses of the government at all times and under all circumstances, it is well to consider further how to create justly an additional fund in case necessity should ever demand it.

Supposing the rights of individuals in society to have been maintained equal up to this point, and supposing no incapable ones in society, exact justice demands that at least the first additional tax be a per capita one, each and all contributing equally to it. Why is this so? The statement is based upon the supposition that the rights of the citizens have been kept equal; that no one has gained any undue advantage over another; that no system has prevailed whereby one could appropriate and enjoy that which belongs even in part to any one else; that whoever, for superior considerations, has been secured by the government in the possession of a monopoly, whether it be a certain parcel of land, a street railway franchise, or what not, that the government has not permitted the possessor to gain any advantage over others; but, instead, has either taken to itself, for the benefit of all, the necessary advantages incident thereto, as in the case where permanent possession of land has been secured, or else has so controlled the operation of the business constituting the monopoly that those operating the same gained no undue advantage, as in the case of street

railways. Supposing these things to be true, then every one has received equal benefits by the existence of government; and if any one has a greater accumulation of wealth than any one else, it must be due to his superior ability, industry, or economy, and he is entitled to it. The security in the enjoyment of it constitutes the stimulus that ever excites to greater industry and economy, and makes progress and civilization possible and life worth living.

But in certain respects the conditions are otherwise than as supposed. There are in every society the incapable, the young, the aged, and the sick. Besides these there are those who will not work, those who commit crimes and must be punished by government, and thus become a source of expense rather than of revenue.

Of those not young, not aged, not sick, and not criminal, there are all grades of abilities, from those able to chop three cords of wood per day to those barely able to chop enough to keep warm; from those barely able to support themselves to those able to produce a large surplus over their private wants.

It might be shown, but is here assumed, that to maintain the rights of the efficient members of society equal, the government must, as one of its functions, punish the criminal and support the young, aged, and

sick, not voluntarily cared for by relatives or friends. But whether said assumption is justifiable or not, of necessity those classes, including those barely able to support themselves, must be excluded from a per capita tax, but a per capita tax upon all others, to be equal and just, must of necessity be small, that it may be collected of that element of any society able to pay something, but unable to pay much.

The "single tax" then, comes first; and if the fund thus created be insufficient, then the per capita tax, levied as above indicated, comes second.

But suppose, again, as some may think possible, that the "single tax" and the per capita tax together may not furnish sufficient revenue, then what next? As in the case of a per capita tax, from its operation, there must be omitted certain classes, so in any further tax, for the same reason, there must be omitted the same classes, and in addition thereto, that class that is able to pay a small per capita tax, but no other.

The class in every society able to pay a tax, yet unable to pay much, by reason of which any per capita tax should be made small, as above specified, includes those people who support themselves, but are unable to accumulate any considerable property. Of necessity, then, any further feasible tax must affect

those with accumulated property; but there are all grades of those, with property ranging from those with barely anything to those with more than a competence. As the term land, used in Chapter VI, included no improvements thereon, the term property as here used includes all species of wealth, that is, all articles of man's desires that can be obtained only by man's labor, whether of buildings or other things usually classed as part of real estate or not. But justice demands that the tax be equal; and in order to be equal all those with any considerable accumulated property must be included and taxed equally; and this is so because if all property were taxed, that is, if every person were taxed in proportion to the amount of his wealth, then as taxes are collected to defray expenses of government incurred in performing functions, the benefits of which inure equally to all, the wealth of some would be taken to be used for the partial benefit of others.

It has been urged that a personal property tax, so-called, should be levied upon individuals in proportion to the values of personal property possessed by them upon the assigned reason that the owners of personal property receive benefits from the government in proportion to the values of their personal property; and in that, as they say, the more personal property a per-

son owns, the more it costs the government to protect it.

We have hereinbefore assumed it to be a function of government to administer justice, but in what does this consist? All offenses consist in commission of torts or in the violation of contracts, and the government administers justice by restraining offenses or by exacting commensurate damages in cases of commission of offenses.

In case a person commits a tort by injuring the person or property of another, it costs the government the same to administer justice in the case, regardless of the amount of personal property that the person may own who has been injured by the tort.

In case one party to a contract breaks it, it costs the government the same to administer justice in that case, regardless of the amount of personal property that the person may own who invokes the aid of the government in the matter.

While a person with much personal property may make more contracts than one with less, and therefore more contracts to which he is a party may be broken than to which others, with less property, are parties, and therefore those with much personal property may invoke the aid of government oftener than others, still the additional expense to which the gov-

ernment is subjected is really caused by the fault of others, for which those who may have made the contracts with them are not to blame; therefore in justice they should pay no more taxes to support the government than as though they had not been the incidental cause of the additional expense.

A tax upon individuals, then, in proportion to the value of their personal property, is socialistic in character—it smacks of community of goods; it violates the principle that the fact that people differ in abilities is not a cause of complaint between man and man. Such a tax destroys the equality of the rights of men instead of maintaining them, and cannot be justified.

If a tax in proportion to amount of wealth possessed is popular, it is so by reason of a consciousness that many of those who now possess much wealth have obtained it, not by labor alone, but by reason of undue advantages either conferred or permitted by government; and where such is the case, which is somewhat true as governments are now conducted, a tax upon individuals in proportion to the amount of their wealth would possess the virtue of being one act of injustice that might somewhat offset others that have caused such differences in amounts of the wealth of different individuals.

But effort is made here to discover a just tax under a system of government that does not permit, much less create, injustice in other respects. In adopting this tax some arbitrary rule would have to be established. For illustration, all those with five hundred dollars' worth of accumulated property should be taxed. This would substantially include all others than those able to pay a per capita tax and no more.

Let it be understood that this does not contemplate taxing those with more than five hundred dollars' worth any more than those with just five hundred dollars' worth; it contemplates taxing all equally that own at least five hundred dollars' worth of accumulated property. If after this tax was added to the single tax and to the per capita tax, still more was needed, then another tax should be levied equally upon all those owning some other and larger amount of property; say, for illustration, one thousand dollars, and so on, as necessity demanded, there being no limit to the extension of the principle except the total wealth and resources within the government.

Only one other source of revenue is subject to the government call and that is the services, even to the extent of the lives of its citizens. In taxing the services and lives of its citizens, a government must, of

course, still be just, and the persons taken must, if all are not taken, either be volunteers or taken by lot; in either case the government must, from its funds derived as above prescribed, compensate those in its service or the natural dependents of those whose lives may be taken.

If the foregoing system be equal and just, as it appears to be, and is wholly exhaustive in its ultimate considerations, are not all other systems inferentially unequal and unjust? It is certainly improbable that two or more systems are equally equitable and just. But perhaps the justice of the foregoing system may become more apparent by contrasting it with other known systems.

The government of the United States and of the respective states constituting the Union, have separate and distinct functions to perform. Each government collects its own taxes with which to defray its own expenses incurred in performing its functions. The federal government follows an entirely different system of taxation than do the state governments; but if there be one just system that would furnish sufficient revenue, certainly both the national and state governments should follow it. From the fact that the national and state governments collect taxes under different systems, it may be concluded, with reasonable certainty

at least, that the national government or the others are wrong. A brief examination of their present systems will show them both to be wrong.

The state governments do levy some taxes upon land values, but not in a degree at all commensurate with the advantages accruing to land-owners by reason of being secured in an exclusive possession of their land, as somewhat elaborated in Chapter VI. To a certainty, then, the state governments allow some of its citizens to appropriate to themselves a value that really belongs to all of its citizens, that is, to the government; as a result inequalities arise, and as a result, also, the governments have to tax industries to raise the deficiency. The chief method of raising the deficiency is by taxing individuals in proportion to their wealth, a system hereinbefore condemned.

If it were true, as a general rule, that the people of the state possess wealth in quantities proportionate to the undue advantages that the governments permit some to enjoy, then one evil might somewhat offset the other. But rather than take the risk that one evil will offset another, would it not be better neither to commit nor permit any evil? Would it not be better to tax people in proportion to advantages received that are necessarily incident to the formation of society than in proportion to their abilities, industry, or economy?

Yes, is the only impartial answer. To those, at least, who fully understand the principles of Chapter VI no further argument is necessary to convince them of the injustice of the present system.

But the system of raising taxes by the states has one general characteristic in its favor, as compared with the national system. The state system constitutes direct taxation, and under it the citizen knows when he pays his tax and how much he pays, while under the national system taxes are raised indirectly and no citizen knows how much tax he pays nor when he pays it.

Some historian has said that the indirect system of taxation was invented by an absolute monarch as a means by which he could procure of his subjects the greatest amount of money with the fewest complaints.

The system has no place in a government of the people, for the people, and by the people. No writer of prominence has ever advocated it as a just system of taxation. It certainly does not maintain the equality of the rights of men, but rather destroys it.

Nearly all the national revenues are obtained by requiring the producers of certain specified articles within our government to pay to the government a certain amount before disposing of or consuming them, and by requiring whoever, citizen or foreigner, brings

into this country from elsewhere certain specified articles, to pay to the United States government a certain amount upon the bringing in of the article. Just how does the system work? Among the articles taxed upon production in this country are spiritous liquors. Upon production of the same the producer pays to the government the amount required by law, and he then, of course, in selling the product receives the cost of production, the amount of tax paid to the government and a per cent of profit on the whole thereof. Therefore it is, that in the end it is the one who consumes the article that in reality, indirectly, pays the tax. Among the articles taxed upon being brought into this country from elsewhere is soap. Upon the bringing in of soap, the person who brings it pays to the government the amount required; he then in selling the soap, receives the cost of it, also the tax paid to the government, and a per cent of profit on the whole. The one who consumes the soap indirectly pays the tax. What an equitable system! The people of the United States contributing to pay the war debt, to pay pensions, to educate the Indians, to fortify our coasts, to float our navy, to pay the salary of our president, in proportion as they use soap, as they wash, as they are godly.

Realize this in all of its fullness. Not one cent of its tax is raised by the method indicated to be just;

not one cent upon land values; not one cent per capita; not one cent by a personal property tax. Whether the land grows fine timber, or produces fine farm products, or is located in the centers of large cities and is worth hundreds of dollars per square foot to the possessor, or whether the land is underlaid with coal or iron, silver or gold, or whether there bursts forth from the surface inflammable oils or gases, the United States lays not one cent of tax upon its values. No multi-millionaire, under its system, no monopolist of the United States is under any obligation to pay any more than the poorest citizen. If they use less soap, if they have fewer children,—and multi-millionaires have few and monopolies none,—they pay less tax. For whatever use imported articles may be intended, whether to be used in the arts, sciences, manufactures, to be eaten, worn, or taken as medicine, if they be within the schedule, whoever uses them must pay this great government for the privilege. Under this system the tax is paid by the people in proportion to their use of certain articles, in proportion as they eat, in proportion as they wear clothes, or in proportion as they take medicine. Those who neither eat nor wear any of them and are fortunate enough to remain well, and require none of them as medicine, pay no taxes to the United States government. The iniquity of the system that

enables governments to obtain the greatest amount of taxes with the fewest complaints, is one of the principal causes that have perpetuated the system which even now is engrafted upon a self-governing people.

There is another cause, also, for its perpetuation, equally as potent and iniquitous. It is this: Under the guise of levying a tax for the government, laws are enacted designed to give, and they actually do give, when executed, special advantages to some to the detriment of others, reference being made to what is known as a protective tariff.

· As hereinbefore shown, whenever a tax is paid to the government upon the bringing into this country of an article, the price thereof to the people of this country is increased to the extent of the amount of the tax, and a percentage of profit on the amount of the tax, in which case the producer in this country of competing articles is benefited, and in this way:

Suppose the article imported is soap, and the tax is ten cents per cake of a certain size and kind; then by reason of the tax the price of the soap is increased at least ten cents a cake, by reason whereof whoever produces a competitive article in this country can increase the price of his at least nine cents per cake without fear of competition with the imported article. In practice oftentimes a very high tax is imposed upon an

imported article, not for the purpose of obtaining any revenue for the government, but for the very purpose of excluding its importation that the home producer may have no competition from outside sources, that he may, for that reason, charge home consumers of his article higher prices.

A great national political party, and the one successful at the polls in the recent election, the Republican party, openly advocates not only the perpetuation of that policy but an extension of the principles involved in it; and the president-elect is the undisputed champion of that doctrine. The other great national party, the Democratic party, while not advocating a tariff sufficiently high to exclude importation and thereby prevent competition, nevertheless does advocate a tariff for revenue only. But any tariff upon an article produced in this country is necessarily, incidentally, protective in its character. But the policy of the Democratic party constitutes the lesser of the two evils, for tariff for revenue only tends towards free trade, free trade towards direct taxation—direct taxation must be upon real estate values or personal property. When the time arrives to choose between the two, if the voter is still a free agent, with only a grain of sense left, no error will be committed, but taxes will be finally levied upon the land values where they naturally and justly belong.

But specious arguments are made to convince the unwary that the protective tariff policy is a just one, and the fallacy of some of their stock arguments must be exposed.

To our people, as laborers, it is said that the wages in countries other than our own are lower than in our country, and that, therefore, articles can be produced in other countries cheaper than here, and that home producers cannot compete with foreign producers and continue to pay higher rates of wages as they do now. It is further said that should the protective tariff tax be repealed, home wages must be reduced to enable home producers to compete with foreign producers.

To our people, as consumers, it is said that the tax does not increase the selling price to us of articles included in the tariff; that the foreigner pays the tax; that with a tariff, home producers will sell to us cheaper than would either foreign or home producers were there no protective tariff tax.

Should a person compare his notes of the argument as laborer with his notes of the argument as a consumer, he would, if at all discerning, at once see that certainly both of the claims could not be true, because inconsistent; he would see that if with the tax the home producer sold the product cheaper than he could

sell it without the tax, for that reason he could not pay higher wages with the tax than without it.

If both claims be false, if in truth the rate of wages is not permanently affected by a protective tariff tax, neither made higher nor lower, but at the most only made to fluctuate as the law is changed; and if in truth a protective tariff tax does not lessen the cost of articles to the consumer, but, on the contrary, increases the cost of them to the consumer, then any one with a knowledge of the motives of men that influence their votes, must admit that when the truth as above supposed becomes generally known, the protective tariff policy must cease to flourish. Let us then examine what the truth is in the matters under consideration; first, as to the effect of a protective tariff tax upon the rate of wages.

The first logical inquiry upon this subject is, whether or not there is a natural law of wages, that is, a general principle that regulates and controls them. For if so, we know, for reasons hereinbefore assigned in considering other subjects, that in the long run, the natural law, the principle, the truth, will control, and that any statutory law intended to interfere will be futile for good, but will produce evil instead.

By a law of human nature, under free conditions, individuals will work directly for themselves and not

for others for wages, unless the wages offered are in excess of what they can make working for themselves. This statement involves the idea that individuals have opportunities to work for themselves. In what does an opportunity to work for one's self consist? It consists in access to land, including the privilege of applying labor thereto. No wealth can be produced except by the application of labor to land, land in this sense, meaning the earth. At any time, then, the more free land there is, and the better the land that is free, the more and the better are the opportunities for one to work for himself, that is, the more he will be at work for himself, and the more wealth will he create for himself working for himself, and therefore the higher must be the wages offered him to procure him to work for another. Of the free land, in working for themselves people will work the best, that is, that which will yield the most wealth by the application of a certain amount of labor; therefore, in a country where there is any free land the rate of wages of unskilled workmen working for others, will be an amount a little in excess of what they could produce working for themselves upon the best free land accessible to them.

It is true that in this country, from the organization of our government to the present, the rate of

wages of unskilled workmen has been somewhat higher, generally speaking, than the rate in older countries; but it is also true that, during the same period, there has been more and better substantially free land than in the older countries where the rate of wages has been lower; and the fact that our rate of wages has been higher, as stated, must have been due to the fact that more and better opportunities for men to work for themselves have existed, owing to the existence of more and better free land.

In this country, until within comparatively recent years, there has at all times been plenty of good substantially free land for all who desired it; but the time came when such lands were substantially exhausted and comparatively none such are now accessible. While the government books at Washington show large tracts of land for sale at nominal prices, the title to which is in the government, still such lands lie in regions embracing the Rocky Mountains and other worthless tracts.

The army of tramps has been created, social problems have come into prominence and become political questions since free land became scarce and insufficient to supply the demand therefor. If ever relation from cause to effect was clear and certain, it is so in this case. Social troubles exist in this country as a result of the exhaustion of our free land.

So while there was an ample supply of free land, what mattered it, so far as the rate of wages was concerned, whether or not there was a high protective tariff or free trade; for during that period one could not be induced to work for another unless he was offered more money than he could make working for himself upon the best land open to him, and during the whole period he would consent to work for others if only a little more were offered him. If the rule of selfishness be not denied as a controlling motive in actuating men, then it will not be denied that during the same period, as a rule, no more was offered men as wages for their services than was necessary to procure their services, whether there was a high protective tariff or free trade.

Because the just rule of taxation has never been observed in this country, because people have been allowed to procure land of the government in unlimited areas, regardless of their needs or desires for actual use, upon terms not at all commensurate with the advantages accruing therefrom to the holders of such lands, immense areas of land have been obtained from the government and held, and are still held, for the sole purpose of speculating in the rise of the values of such lands, which rise of value is always as sure to come as it is sure that population will continue to in-

crease, because increase of population increases land values, as shown in Chapter VI. As a result, then, of the system that has been in vogue, the good land of the United States has been monopolized much sooner than it would have been under a just system; as a result, the rate of wages for unskilled labor in this country has been driven down much earlier than the bounties of nature would have required.

Although the good land has already been appropriated and substantial prices are now asked for it, instead of mere nominal prices, as was the case when in the ownership of the government, still lands of equal quality are yet less in value in this than in older countries, because population is less dense here; and land here is less valuable now than it will be in the future when the population is more dense; and because land here is cheaper than in older countries, it is more accessible by comparison than lands of older countries, and as a result wages are still somewhat higher here than in older countries.

But to those who understand the principles of Chapter VI, it must be apparent that the rate of wages depends not upon a high protective tariff, nor upon a condition of free trade, but, instead, upon the value of land. For this reason those who desire an increase in the rate of wages should not vote for any pro-

protective tariff tax whatever, but, instead, for whatever tends toward free trade; for whenever the tax upon the importation of goods into this country is abolished, as well as all taxes upon the consumer of goods, as consumer, then the period of direct taxation upon values will arrive. Then when but two methods remain to choose from, when it remains only to decide whether land values, not the product of labor, but the result of the increase of population, or personal property, the product of labor shall be taxed, the decision will be in the right; and thereafter it will become unprofitable to hold more land than can profitably be used by the holder. As a result millions of acres of good land in this country will revert to the government and become open to use by those who need it, upon just terms. Then, and not until then, will the army of the unemployed vanish, and the rate of wages permanently rise to the point where natural laws will justly fix it.

An examination of the other claim of the protectionists will prove it to be equally as untenable as the first claim. The reasons assigned for the claim, that under a protective tariff law the selling price to the consumer of protected articles will be less than otherwise are; that without such protection as such law affords them, home producers cannot compete with foreign producers; that without such competition all of

the producers in the rest of the world of the articles in question, combine, form trusts, agree not to undersell each other and arbitrarily hold up the selling prices to our consumers to a point above what it would be under a natural state of competition. And the further claim is, that with such protection as such a law affords them, that is, without foreign competition, the home producers will compete with each other and drive the selling price to our consumers down below what it otherwise would be.

Assuming it to be true, for the purpose of this argument, that foreigners can produce the articles in question cheaper than our own citizens (a falsity, however, as to many things), and assuming it to be true that without competition here, all of the producers of the rest of the world would combine, and thereby fix the selling price to our consumer above what it should be, still it might be asked, without impertinence, if a tariff tax, so high as to exclude importation, should be enforced, what would prevent the home producers from forming combinations and trusts and agreements that they would not undersell each other, and arbitrarily fix the selling price of the articles too high? Nothing.

The question for the consumer to ask, then, is, in which case are combinations, agreements, and trusts that arbitrarily fix prices, more likely to occur, when

competition is open to the world or limited to one country alone? When limited to one country alone. Does not the probability of such agreements lessen as the number required to enter into them increases? Certainly.

What light does history furnish on this subject, for we have heretofore operated, and still do operate, under such a law? History answers back, that the pretended claim of the protectionists is false; that their real purpose in demanding a protective tariff tax that will exclude competition from abroad is to enable them to form unrighteous combinations that they may rob their neighbors and fellow citizens, as evidenced by the fact that trusts have heretofore, under such laws, been formed by the home producers of nearly, if not quite, every article included in the tariff schedule. These trusts have stopped the wheels of machinery, limited the amount of production, that the value of the articles must rise, and that an equal or greater profit might be realized with less labor and expense. A monopoly being the privilege of conducting a business in which there is not free competition, advantages arising because thereby prices may be arbitrarily fixed, is it not plain to be seen that a protective tariff creates monopolies? They certainly restrict competition to within one country. A combination of the pro-

ducers of one product within one country is not impracticable as experience in our own country proves. Some may say that within a country to which competition is limited any one is at liberty to produce the article protected, and therefore the rights of the citizens in the same country are maintained equal, but such a statement is untrue.

Suppose a tax levied upon the importation of sugar, and thereby the sugar producers of this country to be enabled to exact higher prices for sugar produced by them than they otherwise could do, can it truthfully be said that anybody in the United States may engage in the production of sugar? Are not the sugar producing lands of the United States limited in extent, and are they not already wholly appropriated?

Likewise as to iron. Are not the iron lands already in the exclusive possession of some, so that a tax upon the importation of iron benefits those possessing the iron lands, and not all the people of the whole country? If it be said in answer to this, "yes, that is so, but anyone may buy of those possessing the lands," the reply is, that by reason of the tariff, higher prices are demanded for the lands that constitute the source of the article protected.

In the end, then, if the article protected be one of which this country, under free conditions, would, upon

the whole, be an importer instead of an exporter, it is the land-owner that receives the advantages from the tax. But, however, if the article protected was not the product of the soil in its "raw" state, but, instead, was a manufactured article from that "raw material," and if there was no tariff tax upon the "raw material," then, and in that case, the tariff would not benefit the land-owner, but rather create entirely new monopolists in the persons of those who might manufacture the article—monopolists because protected from the competition of the world outside of the country maintaining the tariff.

But if the law should impose a tax upon the importation of an article, such as wheat, of which this country is an exporter, that is, produces more of it than is demanded for home consumption, the surplus of which must be sold abroad, the price of which surplus is then fixed by the supply and demand of the world, the price of which surplus, fixed as aforesaid, always fixing the price of that which is consumed at home, is it not certain that such a tax would be of no advantage to the owners of wheat producing lands in this country, because it does not enable them to fix arbitrarily the price of wheat? The wheat farmers of this country have not realized this, and being human and willing to gain undue advantages over others, and supposing that

a law providing for a tax upon the importation of wheat would give them an advantage the same as would a similar law give advantage to those owning land producing articles not, however, of which we, upon the whole, are exporters, have as a class favored protective tariff laws. The truth is, that in this country no protective tariff law that has ever been enforced, or that can be devised, has helped or can help but a few to the detriment of the many. And it is pitiable to see people, as is often the case, fighting for the benefit of others against their own interests.

As all wealth is the product of labor applied to land, do not these considerations again carry us back to matters formerly considered, and enable us to see that in the end to stop trusts, that is, unholy combinations that arbitrarily fix prices, it will be necessary to impose such terms for holding land, the source of all wealth, that it will be unprofitable to hold it and let it lie idle?

A tax upon the importation of articles into this country paid by the consumer, whether so extended as to be distinctively protective or not, is wrong in principle. It contravenes rather than proceeds upon the lines of natural law. It creates inequalities instead of maintaining natural equalities of rights among men. And among the evils of such legislation is the one, by no

means unworthy of consideration, that whenever a law-making body consents to legislate for the benefit of classes, then lobbies evolve, then corruption of legislators begins, and then the perpetuity of the government is endangered. Whenever a government confines itself to the exercise of its legitimate functions, then, and only then, will bribery of legislators cease, because only in that case will there be no motives to corrupt.

Another system of national taxation—the income tax law—recently became so popular as to be embodied in the form of a law, which, however, was declared to be null and void by our supreme court upon constitutional grounds. It provided for the taxation of individuals in proportion to their incomes.

If it be right that he who may chop two cords of wood in a day should pay twice as much to support the government as he who may chop only one cord, then our constitution ought to be so amended that that idea may become a law.

But if it be true that a man is his own owner, that he is not a slave, that to himself and not to others belongs the fruit of his toil, that it is not a cause of complaint as between man and man that men are created with unequal abilities, then such a system is not based upon principle, upon truth, and would not be condu-

cive to justice but in contravention of it. If the main-spring of human action is not to be broken, if the wheels of human action are not to be stopped, if progress is to go on, if civilization is to remain permanent and improve, if the dreams of life are to be realized, then the idea involved must not crystallize into law, either in relation to the subject of taxation or any other subject.

If the custom is to continue of allowing individuals to operate monopolies without sufficient regulation and control by government to deprive them of special advantages that otherwise would accrue to them thereby, then the evil of such a system of taxation might somewhat offset the other evil spoken of, but the work of exactly counteracting certain evils by committing others is too delicate a task to be committed with safety to a legislative body.

The secret of the popularity of such proposed legislation is in the fact that the people generally realize that great injustice prevails, whereby some ordinary people become multi-millionaires and others of equal capacities are unable for lack of opportunities, to make a decent living. These people do not know the source of the injustice, do not know how to remedy the evil, and in despair are willing to administer a poison to the body politic in the hopes that it may serve as an

antidote to another known to be in the system. That such proposed legislation should receive such popular favor indicates the danger that threatens any government that maintains inequalities of rights among its citizens. It demonstrates that a popular government should be on the alert to avoid the occurrence of evil, and ready and willing and quick to remedy any evil upon the slightest manifestation of symptoms thereof; otherwise, when slight indisposition may have developed into a disease, the patient, the body politic, may be killed with experimental medicines. That there is something wrong with our body politic everybody admits, and that such legislation as an income tax should be seriously considered, only indicates that our people do not propose to malingering, but propose to kill or cure.

As has been well said by another it would be as practicable to stand a pyramid on its apex as to maintain a government over an intelligent people that suffers inequalities of rights among its citizens to exist; either may balance in a calm, but a slight storm will disturb the equilibrium of either.

Is it not true, as anticipated, that the justice of the "single tax" has become more apparent by contrast with other systems?

## CHAPTER XV.

### CONCLUSION.

It will be remembered that the conclusion was reached in the introductory chapter that the deplorable condition of our industrial affairs is due either to nonfeasance or malfeasance upon the part of our government.

Our subsequent investigations showed that the government has been guilty of either nonfeasance or malfeasance in five particulars, as follows:

First.—In regard to the terms of holding land.

Second.—In regard to control of the operation of other monopolies.

Third.—In regard to interference with the conduct of business not monopolistic in its character.

Fourth.—In regard to taxation.

Fifth.—In regard to money.

Bearing in mind the errors of our government in each of said particulars, as pointed out in the respective chapters upon the subjects, it may be stated that, of said errors, those in connection with the first and second particulars constitute instances of nonfeasance, and those in connection with the third, fourth and

fifth, of malfeasance upon the part of our government.

It remains for us to determine whether or not said errors have constituted integral factors in causing our present condition of industrial depression.

First.—As a result of nonfeasance upon the part of our government, in connection with the first function of every government, individuals appropriate the ground rents, which amount annually to billions of dollars. In his recent work on "Natural Taxation," Thomas G. Shearman has shown that the number of individuals realizing these advantages constitute but a small per cent of our population. Our population being only about seventy-five millions, certainly a misappropriation of billions of dollars each year must have been an integral factor in producing the "hard times" of a majority of our people.

By this nonfeasance, not only do a few of our people gain said advantages to the disadvantage of the remainder thereof (a condition of things, however, which in itself would certainly produce great inequalities in the amount of wealth among our people within a comparatively few years), but on account of our government allowing those values which naturally belong to all to be appropriated by a few — values that would be more than enough to pay the expenses of our national, state, and local governments as at present

administered—the people, as a whole, are taxed to pay the expenses of all the branches of government. This amounts to billions of dollars annually.

Suppose a father to have a sufficient income each year to support himself, and that he has two sons. Suppose him to give his income to one of his sons, and then require each son to contribute to his support in proportion as he consumed some article. Would not great injustice result and great inequalities of wealth between his sons arise, other things being equal?

This supposed case illustrates the real condition of things so far as our national government is concerned, because it levies no taxes upon land values, but rather upon individuals in proportion as they consume certain articles.

If, after the father gave all of his income to one of his two sons, he required them to support him in proportion to their abilities, habits of industry and economy, that is, in proportion to the amounts of their acquired wealth, the case then would illustrate the condition in our state governments in so far as they levy taxes upon personal property, necessitated by failure to fully tax land values.

Second.—As a result of nonfeasance upon the part of our government, in connection with railways and other monopolies classified with them in Chapter IX,

the patrons, in so far as such monopolies charge unreasonable rates, are forced to pay annual tribute to the owners.

It should be borne in mind that the monopolies of this class are all real land monopolies because their advantages arise by reason of having an exclusive or a superior use of land in highways or elsewhere, even though it may consist only in the privilege of maintaining a wire, as in the case of a telegraph company. Therefore, they are beneficiaries by reason of the nonfeasance of the government in the first particular specified. But we are now to consider special advantages derived by the owners of these monopolies by reason of the nonfeasance of the government in failing to control their charges. The owners of these monopolies constitute but a very small per cent of our people, while the patrons constitute a large majority of them.

As to whether or not this instance of nonfeasance constitutes a substantial factor in causing our hard times, will depend upon whether or not such companies are charging unreasonable rates; and if so, whether or not such charges net them any considerable sum. Certainly our system of government permits such companies to enforce such rates of charges.

The gross receipts of these companies mount into billions of dollars annually. The statement is here

ventured that in Minnesota there is not one official who knows what would be the reasonable cost of the reproduction of a single plant of any of these companies operating within this state, and, in all probability, a like statement would be true as to many, if not all, of the other states of the Union.

Surely, then, it is not certain but what all of such companies are maintaining charges that net them more than a reasonable rate of profit upon what would be the cost of reproducing their respective plants. But why hesitate to assume what is notoriously true and generally admitted to be so, or stop to prove, that nearly all, if not all, of such companies are maintaining unreasonable rates of charges in an endeavor to realize not only what is right, but, in addition thereto, enough to enable them to pay dividends upon large amounts of fictitious stock.

It is within the bounds of truth to say that by the nonfeasance of the government in this particular, a large majority of the people are drained of many millions of money each year for the benefit of a very few.

Third. — In specifying the interference by government with business not monopolistic in its character as a particular in which the government is guilty of malfeasance, reference was made to matters discussed in Chapter VIII. That discussion is embodied

in this work, not so much from a belief that the matters therein complained of constituted a very potent factor in producing the present condition from which we seek relief, as for the purpose of showing clearly the distinction which exists between monopolies and other kinds of business, that in the future legislation might be avoided upon matters not properly the subject of legislation, and that it might more certainly be obtained in proper cases.

Though legislation heretofore has not been very extensively enacted regulating business not monopolistic in its character, still if what was said relative to socialism in Chapter V is sound, that government is trespassing upon dangerous ground which regulates the operation of a business not monopolistic in its character, such as the banking business instanced in said chapter, and such as the insurance business that might have been instanced. Besides, when a government prescribes that certain kinds of business not constituting a nuisance can only be conducted upon certain lands, as in the case of the ordinance fixing a hay-market, instanced also in said chapter, extra advantages are conferred upon some to the detriment of others.

Fourth.—In the fourth particular of errors, the government has been charged with malfeasance in connection with taxation. As pointed out in Chapter

XIV, by reason of protective tariff laws, two classes of people have been benefited at the expense of the remainder of the people, viz., those owning land producing that which, upon the whole, we import instead of export, and which is included in the tariff schedule. For illustration, it benefits those owning iron lands, iron ore being included in the schedule, and we not being exporters of it to an extent that its price at home is fixed by the price of a surplus sold abroad. The other class consist of those engaged in the manufacture of those articles included in the schedule of which we are not, upon the whole, exporters, and the raw material of which is not included in the schedule.

Those classes lay a continual tribute, in the form of increased prices for their products, upon the consumers thereof, which include a majority of our people. The annual aggregate amount of this tribute certainly amounts to a very large sum of money.

When we consider that of our whole population not more than twenty-five millions are self-sustaining adults, then the effect of the extortion from only a portion of them of billions of dollars each year must become more apparent; and from the operation of the evils already considered we would expect to find the condition of the people no better than that actually existing. But the end of extortion is not yet reached.

Fifth.—Lastly, what about the effects of the error of government in the fifth particular specified? Certainly those loaning money in recent years are those who have obtained it largely by reason of having enjoyed some of the advantages hereinbefore pointed out. To verify this conclusion, let any one look about him and see if the rich whom he knows have not become rich by reason of having enjoyed the benefits of some monopoly; have not become so by reason of speculating in the values of lands located in cities, or in values of lands containing mines, or by being interested in the franchise of some railway, telegraph, gas or other like company, or by engaging in the manufacture of some article in which competition in sales is limited by a protective tariff. The money-lenders, then, as a class, are the same people who own and benefit by the monopolies.

By reason of these different processes of extortion continuing for years, the subjects thereof have become heavily in debt. But the creditors, not content to let the goose live that lays the golden egg, not content until prosperity should be wholly extinct, caused the demonetization act of 1873 to be passed; this served as a nether millstone to grind out of the masses of the people what was left in them, by increasing the burden of every debt.

These errors of nonfeasance and malfeasance by our government, all acting simultaneously, have certainly largely contributed to produce, if not wholly to cause, that condition from which we cry to be relieved.

At the time of the organization of our government our small population was confined substantially to the Atlantic seaboard. The largest cities then were small in comparison with our cities of today. The country between the Atlantic and the Alleghenies was but sparsely settled, and west of the Alleghenies not at all. The then territory of the government was but a small portion of what is now embraced within it. As time went on and the population grew from natural increase and from immigration, the sparsely settled country became more and more thickly settled, and the frontier was pushed farther and farther westward.

Because of the democratic *form* of our government, and because of the immense areas of unappropriated good land within its jurisdiction, the immigration was unprecedented. The government from time to time acquired additional territory to the west and to the northwest and the southwest, until its territory reached its present proportions. The frontier line in its advance westward crossed the Alleghenies, crossed the present states of Ohio, Indiana, and Illinois in the

order named, and the present states to the north and south of them; it crossed the Mississippi and every meridian line between it and the Pacific Ocean, reaching its destination during the decade from 1880 to 1890.

The natural advantages and opportunities had then become substantially exhausted. True, the frontier line had crossed the continent at an unnaturally fast rate of speed, owing to speculation in land values which the system of land tenure in vogue encouraged; and, as a result, some of the country was still sparsely settled, some new cities were still to spring up, with new privileges to be disposed of, some new railways were still to be constructed, but no longer were opportunities offering special advantages, opening up as fast as demanded. This was the case, substantially, up to the time of which we are now speaking.

But population has continued to increase, though less by immigration than before, because of lessened opportunities here. The increase of population has increased the values of the special privileges previously acquired, and the time which has elapsed since the exhaustion of wholesale opportunities for special advantages has proved sufficient to impoverish the many and enrich the few, and produce the widespread depression of industry prevailing here.

There have been periods of industrial depression; there have been financial panics; there have been hard times in this country before, but never of such long duration. Heretofore a decade has sufficed for a recurrence of good times, to be followed by another period of hard times; in each case good times were sure to follow the hard times. But the present period of hard times began about the time of the exhaustion of our public domain of any considerable value. Its unprecedented period of duration must be due to the fact that an era has arrived in the history of this country differing from any that has preceded it.

The present long-continuing period of depression is the bitter fruit of the government's errors hereinbefore designated. The whole crop of the bitter fruit has not before been harvested because the necessary conditions to ripen it, i. e., the exhaustion of natural advantages and opportunities, did not prevail until within the last decade. Indeed, the full crop has not yet ripened; the full effects of the evils have not yet been realized, instead, they will continue, and increase in severity as time advances if the system that produces them be perpetuated.

But the time has already arrived when, with natural advantages limited, if not wholly exhausted, with but few, if any, opportunities to escape the effects of

existing evils, or to acquire new advantages, most of our people are obliged to remain where they are and bear the pressure caused by advantages enjoyed by a few over others—advantages which become more and more valuable to the possessor thereof, and more and more exhaustive all the time of the resources of others. The poor condition of the many cannot improve as has ever been the case in the past after short periods of industrial depression. Heretofore the condition of business has recuperated each time after reverses, in spite of evils of bad government, because new opportunities were open to the people.

In fact a new era in the history of the government of Great Britain and of the governments of Europe has arrived. For centuries the opportunities open to their subjects for settlement here served as a safety valve to them. But now the safety valve has been at least partially closed; the opportunities here have become limited. Immigration has therefore considerably lessened, and the time has arrived when the effects of the evils of their systems of government are to be felt there as never before.

The question then forces itself upon us: What of the future? Will the majority submit to extortion by the few to an extent that impoverishes them and enormously enriches the few? Will the evils we have discovered be remedied?

What bearing upon the solution of this question has the *form* of our government? In what respects is our government, if at all, better than the governments of the Old World? In so far as it follows in the footsteps of those governments it is no better. Different governments pursuing the same policies are of equal merit. Regardless of its form, that government is best which most nearly justifies its existence, that most nearly maintains the rights of its people equal. The government of an absolutely unlimited, hereditary monarchy, may be better than that of a pure democracy.

Confusing *form* of government with government itself, we have been wont to dote upon our government. While being still attached to the form of our government, we must condemn that policy of administration of government that has brought disaster to a majority of our people at a time and place, when and where, unprecedented prosperity instead should prevail.

But why is our form of government better, if it be so, than that of hereditary monarchies? Simply because under it the will of the majority may be enforced. The merit of our government itself, then, must depend, in the end, upon the wisdom of our majority.

Whether or not, then, the evils will be remedied that we have discovered to exist in the administration of our government, depends upon whether or not a majority of our voters will be able to comprehend the situation.

It must be evident to all that as the difficulties of making a living increase, the general standard of education must become lower, because more time must be devoted to physical labor, leaving less time for study.

The longer, then, that reform legislation is delayed, the time therefor now being ripe, the more danger there is that it may not be accomplished; but those with the most comprehensive knowledge of the character of the majority of our people entertain the least fear of a delay that will jeopardize success.

There is greater danger of defeat of reform legislation in the near future from an entirely different source.

It is evident that any considerable decrease of our population would postpone agitation of legislative reform until, by increase of population, present conditions again recur. And in the United States today is there not a class fostering a war spirit? If so, who constitute the class? Certainly not the men who would fight the battles. Is it not the class composed of those who feel that though the increase of popula-

tion has enriched them, that any further increase would hazard the continuation of their undue advantages?

It may be, therefore, that the first opportunity that the majority of our voters may have to show their wisdom will come in a chance to vote down the prosecution of some precipitated or proposed war.

There awaits us, then, in the future, one of three general courses:

A gradual reduction of the industrial condition of our masses, accompanied by a gradual decline of our general standard of education and wisdom, until our people become subjected to a veritable condition of industrial slavery, and are contented therewith; or the prosecution of wars, until our population shall have become so decreased that the favored few may enjoy their undue advantages for another considerable period without molestation; or, what is greatly to be desired, and more probable, the enactment of reform legislation that will justify the existence of government, by maintaining the rights of individuals equal, thereby making the requirements, imposed upon the human race by nature, susceptible of accomplishment. †







**WILSON  
ANNEX**

UNIVERSITY OF MINNESOTA

wils  
320.4 L32

Larrabee, Frank D.

Functions of government : A development



3 1951 002 323 108 T