In all progressive societies, mechanical inventions have so vastly increased the amount of individual production, as to far more than counterbalance the depletion of the ranks of the producers by privilege; so that the individual product, instead of remaining constant, should increase in rapid progression, to represent at all adequately the state of modern society.

Such is the condition shown in the revised table. (Table III, at the back of the book.)

Here the individual product at each successive stage, as shown in column III, is assumed to be double that of the previous period, instead of a constant amount. Just what the increase really is would be impossible to determine; nor does it matter, as it is a general principle that we seek, and not a special case.

As might be expected, the actual shares of both producers and nonproducers are enormously increased by the rapid growth of productive capacity. This increases as 1, 2, 4, 8, in column III, and the total amounts, in column IV, would be proportionately great, were it not for the diminishing number of producers, although, at first, the diminution is not rapid enough to overcome the advantage gained by the growth of productive power.

The combined result of this increase in product and decrease in the number of producers is shown in column IV, which represents the total product, and increases by strides, yet not so fast as the rate of individual production, being 100, 180, 320, 560, compared with 1, 2, 4, 8, in column III.

Now of these total amounts the producers will receive, at any period, a share represented by a certain percentage of the product, diminishing more rapidly than the numbers of the producers. From the 100 per cent which is received when privilege takes no portion, it will decline to 80, 60, 40 per cent, as in column V, while the number of producers declines to 90, 80, 70, and so on.

In spite of the extremely rapid increase of the factors in column IV, the products of these by the diminishing rates of percentage in column V show a maximum at the fourth step, thence falling to

The Economics of Liberty

John Beverley Robinson

1916

taining his vocation by the justice of his decisions, and the present semidivine creature, with his court paraphernalia and prestige, the difference is generic.

So also is that between the military armament of privilege and the theoretically possible, but practically hardly necessary fighter for liberty.

Table II shows the relation between the portion of the product which is taken by the continually growing nonproducing class, and that which remains for the producers.

At first, we suppose that only ten per cent of the membership belongs to the nonproducing class, and that twenty per cent of the product is taken. This will leave 90 producers, and the total product will be 90. Of this, by the hypothesis, the nonproducers are to receive 20 per cent, which is 18; the rest, 72, remaining for the producers. Thus, although the total product has been reduced only 10 per cent, the share of the producers has been cut down 28 per cent.

In the same way, as privilege gradually increases its encroachments, the total product continues to diminish, as shown in the succeeding lines in the table, because more and more producers are withdrawn from production; and the share that the remaining producers receive diminishes still faster, as the ratio of the part taken by privilege increases.

In column VII, the share of each producer diminishes in arithmetical progression, from .80 to .60, .40, .20. In column VIII the part taken by each nonproducer also diminishes, though its relative increase is very great; the diminution running from 1.80 to 1.60, 1.40, 1.20, in an increasing ratio to the share of the producer.

This increasing ratio between the parts taken by the producer and nonproducer is shown in column IX, changing at first by a fraction, then at one step doubling, and with another leaping out into infinity.

The table represents a theoretical condition which is never completely realized, in which the rate of production remains constant.

producing members twenty per cent of his product, an entirely new and unanticipated state of affairs supervenes.

Each of the privileged class will receive a portion in excess of that received by any of the producers, denoted by 1.80. With this excess, for which indeed there is no other use, privilege will be enabled to support a certain additional number of the producers as personal servitors. Thus the proportion of the privileged grows rapidly; as these personal servitors, thus enlisted in the service of privilege, become at once a part of the privileged class, by virtue of their new allegiance.

Privilege appoints one a policeman, to keep order in the ranks of the workers, and to prevent them from exhausting their productive powers in idle quarrels, or from doing or saying anything questioning established privileges.

Another is appointed a judge, another a lawyer, whose functions are to erect a body of rules favorable to privilege.

Yet others will be priests and ministers, whose business it is to encourage reverence for privilege, and to foster a code of morals having no relation to the real requirements for justice, but composed of conventional rules calculated for the support of the existing order.

Others, again, will be made teachers and professors, to inculcate in the young respect for authority and submission to privilege. Finally there will be still others, called soldiers, armed, adorned and adulated, ready at command to kill those who may attack privilege.

These, together with their masters, the holders of privileges, constitute the privileged order in our present society, and constitute also the nonproductive class; for, no matter how hard individuals belonging to it may work, nor how satisfactory their efforts may be to their masters, they produce nothing exchangeable, and their functions would be superfluous in the absence of privilege.

No doubt, in the most perfect society, there would be differences to be composed and limitations of liberty to be defined, but between the arbitrator, earning an income equal to the rest, and main-

Contents

PRIVILEGE

It is time for us to consider the disturbing forces, to which allusion has been made, which prevent the free action of industry and the substantial equality of fortunes, that in the absence of these forces would prevail.

Conceive that in the typical community tabulated in Table I, a certain number of the members, ceasing themselves to produce, were empowered to take from each of the remaining members a portion of his product.

Such power over the persons or products of men is called privilege; and such privileges have always existed in the past and still exist, in mitigated, but not less powerful forms.

Just what the privileges are by which this is accomplished, we need not now dwell upon. At present our business is with the operation of privilege in general — abstract privilege — the power of one to command the services of another without compensation.

In order to show the working of privilege, let us construct another table (see Table II. at the end of the book), showing the same community of 100 persons, with the results that occur when they are deprived of a certain part of their products.

We deal here only with the total number of members; not with the separate branches shown in the previous table.

The first line in this new tabulation shows the natural equal distribution of products, where privilege does not exist. The total product, symbolized by 100, is divided equally among 100 persons, giving to each a share denoted by 1.

If we suppose that ten per cent of the members, ceasing themselves to produce, are privileged to take from each of the remaining

If every man wanted to be captain, there would be no sailors; yet that is no reason why the sailors should go on short rations.

If all men were equally capable and all desirous of doing the same thing, society could not exist. It is because each man is different from all others that the infinite division and subdivision of occupations becomes possible, which is the foundation of an industrial society.

It is not to be supposed that the equality of a developed social organization will be an absolute, cast iron, precise, mathematical equality of income. There will always be minor differences from various causes. Some will prefer to work less, and to receive less. Differences in natural ability that are not covered by differences of calling will still exist. But the differences will be moderate and temporary, with as powerful a tendency, active all the time, toward equality, as there is now toward inequality.

This book is intended to be a brief and clear statement of the system of social organization first enunciated by the illustrious Proudhon a century ago.

His works, although of unparalleled brilliance, are so voluminous that it is often difficult to extract his meaning from the mass of controversy that envelopes the fundamental thoughts.

If any are persuaded by these pages of the efficacy of liberty to accomplish social order, justice and prosperity, it will sufficiently gratify

The Author.

SOCIETY

WHAT is Society?

Everybody nowadays is talking or writing about Society — society in the abstract — general human society. Social service, the social uplift — all the phrases, half discredited in advance by the fluency with which they drop from our lips — what do these really mean?

Wise professors of sociology treat of "the housing of the poor," "the problem of the unemployed," devise futile formulas, and pile up mountains of barren statistics, while no one in recent times has uttered even an outline of a theory as to the essential constitution of that Society of which Sociology, by its very name, proclaims itself the science.

We habitually regard the headless, formless chaos of absurdities in human relations, in the midst of which we live, as Society, but we are without an intellectual norm to guide us: we have evolved as yet no concept with which to rationalize the observed facts.

Or, if such a norm has been proclaimed in the past, it has not been shouted in the ears of the people so that they must hear it. It has fallen out of sight and hearing, and must be reproclaimed in words intelligible and unmistakable, until it gains acceptance.

For, without such a norm, all our painstaking researches into facts are fruitless; as were the researches of alchemy before chemistry with its scales and atomic theories rationalized it. Some generalized conception, at the least some working hypothesis, is essential, before the dry statistics, that we so laboriously gather, can have any meaning or lead to any conclusion.

they have all the capabilities of the most polished circles. The next generation will acquire such knowledge as may be obtained from schooling; and in the third, at least the beginning will be attained of that combination of self-respect and gentle manners that we call good breeding.

One of the most polished men that I have known was the son of a washerwoman; another, a bricklayer's son, became a Greek scholar and a poet.

The most frequent excuse for inequality of reward is that inequality of fortune must exist as long as the inequality of talents or abilities is so great. A statement of the case which appears plausible, and indeed is irrefragable under the present form of society, in which labor is bought and sold like cheese.

With freedom of production and exchange, a little consideration will show that inequality of abilities is an essential condition for equality of incomes.

At present, the market for labor follows the same rule as the market for commodities; the most necessary, and therefore most abundant, labor is the cheapest, the rare and luxurious is the most costly. The bricklayer and the butcher are paid but little, while such luxuries as a bank president come high.

But, under freedom, labor ceases to be a commodity. The bricklayer is as necessary to the architect as the architect is to the bricklayer — more so, indeed, as forty bricklayers are needed for one architect. Relying on his value, and enabled by freedom to find a full demand for his services, the bricklayer will esteem his labor as equal to that of the architect, and will exchange only on equal terms.

It is true that the routine occupations, such as digging, tending a machine, and the like, require neither special education nor exceptional gifts. On the other hand, such routine occupations are peculiarly irksome, especially to men of exceptional gifts. But both the men of exceptional gifts and the work that requires them are rare; while the ordinary men and the ordinary jobs are abundant.

same plane with the stupid, the idle, the vicious! Do you want to build your civic halls and churches with their domes and steeples on the ground and their foundations in the air? It is a pretty world of topsyturvydom that you propose!"

Where fear rules, reason is silent.

Is it indeed true that equality in wealth is such a terrible thing? Is it to be apprehended that such equality means a dead level of mediocrity — a triumph of incapacity?

Not in the least. It is only to the disordered imagination that these green and yellow bogies present themselves.

The smallest consideration will show, what is today so conspicuously the fact, that inequality of fortune, as it now exists, obscures, and at times entirely conceals, the distinction that mental or physical skill or strength would otherwise secure. It is the glitter of wealth that is at the foundation of our social distinctions, and of most of the recognition that we give to the individual.

Take away this inequality; let wealth reach the approximate level that it must some day reach; and the money estimate of a man vanishes, and his real worth is for the first time made the basis of our esteem for him.

After all, what is there so terrible in the idea that a coalheaver should be a companion intellectually for a professor? Are there not many professors of powerful physique who would really prefer an outdoor life of physical activity? Are there not many handworkers who, in everything but polish, are fully the equals of many of the professional class?

Difficult as it may be for us to admit it, there is no reason why, with equality of reward, all kinds of manual labor should not deserve and receive equal social esteem with professional occupations.

Even now among the wealthy there are many whose manners should exclude them from well-bred society; yet all these things come with an increase in the reward of labor. The first generation may be an impossible set of barbarians outwardly, but inwardly

Let us try to clarify our thoughts, and to build up some clear, crystalline conception.

In the first place, what do we mean by a society in the little? Societies abound today — societies for the propagation of this and the prohibition of that — all sorts of societies, and for all sorts of purposes. What then is a society?

A society is evidently a combination of two or more persons in order to unite their efforts toward achieving a common end: evidently also such a combination must be entirely voluntary on the part of those who combine.

It is possible to secure combined effort without the assent of them whose efforts are combined. When a white man, armed with a repeating rifle, compels a band of unarmed savages to obtain ivory for him, he combines their efforts indeed, but we call such a combination slavery, not association.

For every association it is essential that the efforts of the associated should be exerted voluntarily; and such a voluntary association it is that constitutes a society.

If two men ask a third to show them the way, and he willingly accompanies them, they are associated: if, being two to one, they use their superior force to drag him along, association ceases, and we have tyranny or authority on the part of the two, and subjugation or slavery on the part of the recalcitrant. For any society to deserve the name, two conditions must prevail:

1. A common end to be achieved or a common desire to be gratified.

2. Voluntary union of effort on the part of the associated.

So that Society in general of the people of a city, or of a country, or of the world, in order to be properly called a society, must display these two characteristics. If we find that it does not comply with these conditions, we must call it by some other name than Society.

If we find that it recognizes these conditions in part, but not completely, we can only say that it is an incomplete or undeveloped society. Such undeveloped societies are the various forms of

combination that we find throughout the world today under the name of governments.

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A voluntary agreement is called a contract. It is essential to the validity of a contract that it should be voluntary, that it should express the true desires of the parties at the time of making the contract, and that neither party should have been under restraint or compulsion — that there should have been what the lawyers call "a meeting of the minds" of the parties.

So much so, that a contract is at once abrogated, if it can be shown that such meeting of minds did not really occur.

In almost all private relations these voluntary agreements or contracts are recognized by modern governments. The whole structure of modern commerce is built upon them; and through them the various doings of our daily lives are conducted. Yet in very many private relations and in all public relations voluntary contracts are not admitted, and we are compelled to act as an emperor or king or congress dictates. Just as far as we are compelled to yield to authority, just so far we are incompletely associated.

In the past, the province of authority has been far wider than it is today, and the realm of contract correspondingly narrowed. The time was when almost all the acts of the individual were regulated by his status in the community without regard to his wishes. The farther back we go in history, the more complete domination by authority do we find. The Egyptian of ancient times, whether peasant or noble, was the absolute property of the monarch, his duties and responsibilities defined by his status, and little or not at all by contract. The classical republics, while granting some liberty to the citizen, were based on slavery. The serf of the Middle Ages was a part of the plant: he belonged to his farm, as much as the barns and ploughs and horses, and was bought and sold with it.

The absolutism of kings prevailed down to the American Revolution, and still prevails in Russia and Germany. Constitutional government has triumphed in the rest of Europe, in the United States

EQUALITY

The dream of the ages, the equality of all men, financially as well as politically, is then no dream, but a cold mathematical fact; to which the hypothesis of free production and exchange necessarily leads.

It is true that neither free production nor free exchange yet exists; nevertheless all the tendencies of the progress of the world are toward such a condition of freedom. In time, and in no very great time, it must be attained, unless some such setback should again occur as occurred at the fall of the Roman civilization. That such a setback should come seems impossible to our present sight; it is well therefore that we prepare our hearts and minds for what our great-grandchildren may see, if our grandchildren do not.

For the present system of misery and superfluity; of want for most and destitution for many, that a few may have too much; of the insolence of wealth and the cringing of poverty; of satiety and ennui on the one hand, and the gulf opening at their feet on the other — this modern civilization, which it is heresy to hint is imperfect, is almost worked out; has almost reached the impossible stage, when institutions fall of their own weight, with no hand raised to overthrow them.

Yet there are some who cannot see the lantern held by Progress to light their path; to whom the present reign of unreason and inequality appears to be final; to whom the suggestion of equality as the foundation of the coming civilization will seem the prospect of hell rather than of heaven.

"What," they will shriek, "do you mean to reduce all men to a dead level; to apotheosize dull sameness and monotonous uniformity; to lower the brilliant, the intellectual, the virtuous, to the

an intolerable economic absurdity, which prevails, and can prevail, only when the laborer is partially reduced to slavery.

If he were completely reduced to slavery, his body would have a market price; and it is only because he is partially reduced to slavery that his labor now has a market price, rising and falling with the market prices of other commodities.

It is in this way, too, that our first proposition, that all production leaves a surplus, is exhibited in the organized community. The greater production, which is the necessary result of invention, immediately results in a lowering of prices, and the freeing of a portion of the producers for the production of new and before unthought of refinements.

At the same time, a proportional amount of products is freed, for the compensation of the workers who would otherwise be thrown out of work.

and in most of the countries of South America only within a little more than a century.

But even constitutional government is still the rule of authority, as clearly as the rule of an autocrat, although not to so great a degree. In a republic, and still more in a democracy, at least a majority of the people is supposed to acquiesce in the measures of the government; while an autocrat may issue orders against the desires of everybody else: he is held in check only by fear of provoking a revolt.

But while the majority in a democracy may voluntarily unite their action, the minority does not join with them voluntarily; it is virtually compelled to acquiesce, however much against its wishes. Such association as we have, even at its highest, is still the rule of force or authority, as it has been since the earliest ages.

By the definition then of Society that we at first laid down, that a perfect society must be a voluntary agreement on the part of all the associated, a completely social condition has not yet been attained: we are still only partly socialized.

It is not sufficient that we secure "the greatest good of the greatest number." No matter how great a number of people may agree to unite for a common end; no matter how small a number may dissent; if the minority is coerced by the majority into acquiescence, the condition is not social but antisocial. It is only when each individual is free to withhold acquiescence, that a completely social condition is attained.

Society, in its full meaning, has not yet been reached. We are but approaching the time when it will be established. Almost all the theories and generalizations that have been laboriously worked out by the economists in relation to our present incomplete society, have no application to a perfect form of association.

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As for the common end in view, it has always been, in the authoritative societies of the past and present, in one word — war. Man, although a gregarious animal, and amicable toward the members

of his immediate clan, is a predatory animal toward other clans, doing his fighting in packs, and the military societies of the past were organized quite as much for conquest as for defense. Up to the sixteenth century, conquest was regarded as the proper occupation of princes, as noted by the astute Machiavelli. Whether conquering or conquered, men enjoyed, and still enjoy, the excitement of fighting.

But a time came when war ceased to be the chief occupation of life. Commerce and industry grew. A taste for the good things of life developed. Tyranny may be the only practicable form of organization for war, but commerce and industry require peace and freedom. So it has gone on down to our day: commerce and industry daily increasing, until they have become the leading activity of life; war pushed into the background, as an occasional diversion only instead of a continual joy as it used to be.

Reluctantly, indeed, do we abjure fighting. Not until we are forced to do so, can we bring ourselves to renounce the delight in battle. We still glow with the warmth of loyalty to the flag. Yet we are not ready to give up all the comforts of civilization for the sake of war. It must be one or the other, either peaceful industry and comfort, or war and deprivation.

Nothing more strikingly indicates our progress toward industrialism than the opposition to war that has grown up within a generation. Not only among the working classes, but by the ruling class is war denounced. Hundreds of thousands of working men are banded together against war, and peace societies everywhere are springing up. The establishment of the Hague tribunal is a sign of the trend of the times.

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Most of our social ills today are caused by the failure of the social organization to keep pace with the rapid development of industry.

Industry and Commerce, Siamese twins, so closely united that they cannot be separated, are today the supreme interest of the world; yet they are continually held back by a form of social orga-

selves unable to make a living; the larger amount produced by their competitors being sufficient to satisfy all demands; and they will be forced to take up some new branch of production.

At the same time a fund is provided ready for them in their new occupation.

The benefit of the improvement is spread over the entire community by the lower price at which all the members can now obtain the product in question. The surplus remains in the hands of each member, ready to reward those who have entered upon the production of some new product, to satisfy a want hitherto unprovided for.

There is no limit to this process. The new wants and tastes and desires of mankind that arise after their first needs are satisfied are literally limitless; and the same progress that leaves an unexchanged balance in their hands that may be exchanged for new luxuries, at the same time sets free a proportionate body of producers, ready to produce the new luxuries.

The reward of the producers grows as the products of their labor cheapen. That is, the more things are produced the larger is the quantity of each that can be exchanged for others, and the cheaper are all products; while at the same time, and with the same exertion, the producer receives a larger variety and an increased total amount of products. Thus we reach:

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**** Proposition VIII.*

The reward of labor rises as the prices of products fall.

This is as it should be. Clearly, if everybody is producing more products and a greater variety of products, everybody's reward, measured in products, will be greater, while the products themselves will be cheaper.

The cheaper things are the dearer labor will be under free exchange; instead of, as now, the price of labor being lower when the price of things is lower. The present state of affairs is indeed

substantially unchanged. These results are often obscured by an additional premium paid to the holder of the patent privilege, or by some trade combination to keep the price up.

An instance may be seen in the manufacture of shoes. By improvements in machinery, and still more in organization, shoes have been reduced to half their price in the past, with improvement in the quality; the proportionate number of shoes worn being, no doubt, somewhat greater, but by no means in proportion to the reduction in price.

We may set down these conclusions in the form of propositions.

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**** Proposition VI.*

The average share of each producer is equal to the total product divided by the number of producers.

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**** Proposition VII.*

The average expenditure of income of each producer is in direct proportion to the number of producers of each product.

It is to be especially noted that, in a condition of freedom, the price of labor is identical with the product of labor. The reward of labor is its whole product; not, as at present, a part, and often a very small part, of its product.

The cheapening of any product by improvements in the methods of production does not diminish the income of its producer. He will indeed at first cut down the price, in order to secure increased sales; and the reduction must be to just that point at which the increased sales give him a larger income. Others who produce the same product must adopt the same improvements, if they are still to compete in price; and they will do so just so far as they are compelled, by finding a portion of their product remaining on their hands unsold; the larger amount sold by their competitors being sufficient to satisfy all demands.

This will continue until some of the producers of the commodity in question, being the last to adopt improvements, will find them-

nization suited to a quite different condition, that is to the condition of universal war that formerly prevailed. Not until we have entirely done away with the present form of social organization, abolished the remnants of authority that still survive, and substituted the reign of liberty, that is to say, of free contract, can industrialism grow to its full stature. War requires authority; trade requires liberty.

And it is for this reason, too, that all the projects for social amelioration that are based upon authority are predestined to failure; from the mild land taxation scheme of Henry George to the complete military organization of industry contemplated by the thoroughly authoritarian wing of Socialism. They are trying to carve the features of the future with a bayonet instead of a chisel!

Industry needs not authority but freedom of contract, in its widest and most far-reaching sense; and liberty can come, not through authority, but through the denial of authority. Many now are strongly attracted by the Socialistic theories of the day; they are repelled only by the cast iron regulations that seem to be involved. We are about to demonstrate a Socialism based upon a wider liberty than has ever yet prevailed.

But some will say: Liberty? What do you mean? Have we not liberty already? Are we not all free to vote for any man we may choose? If we want any particular liberty, can we not vote for a man who is pledged to give it to us? What more of liberty can you ask?

To which the answer is double: the practical and theoretical.

The practical answer is: Look about you and see for yourself whither this boasted free democracy has brought us. Look at the mining camps of Michigan, of West Virginia and Colorado. Read the stories told in the newspapers every day of the shooting of the miners by the soldiers. Not the miners drawn up in array, “in sunlit battle’s light,” but the huts and tents where they live, with their wives and babies in them, raked by machine guns. Look at

our hell prisons, with half a million men shut up in them! Oh, yes, quite legally, of course!

Or, to take less harrying sights, look at trade, the world over, continually in a state of depression. Industry, struggling to free itself from the unseen bands that bind it, and to produce more and more, is held down and throttled by some invisible monster. Men, whose most earnest desire is to work, are unable to find an opportunity. And not only the crowd of unfortunates who are thrown on the street, who are called tramps by the more fortunate, and who according to the popular delusion, will not work, but the vaster crowd of men who are still able to maintain a footing against the current, who are gradually forced to take lower wages, who are often out of work for months at a time, who can barely keep their heads above the water.

Look at our cities, each owned by a handful of rich men, and nominally governed by a horde of politicians, selected from the worst, and responsible only to the rich clique that controls their leaders. Look at it; and say whether this democracy that we have set up is really so admirable an arrangement as we persuade ourselves to think it is.

The theoretical answer is this: Democracy, in principle, is based upon authority quite as much as monarchy; and a free social organization is incompatible with either monarchy of democracy.

Consider for a moment. Every society or association must have funds for carrying on its work. Every association except government obtains these funds by voluntary contributions from its members. Upon ceasing to pay dues, membership terminates. No society can force anybody to pay his contributions.

But with governments it is different. They live, not by voluntary contributions, but on forced contributions called taxes. Each government asserts dominion over a certain territory, and compels the payment of contributions by all who live upon that territory. That is why government of any description does not deserve the name

This remarkable equation leads to the conclusion that what really is determined by demand and supply is the number of producers that shall devote themselves to each branch of production. That settled, the value, whether utility or price, is settled also; and is not subject to sudden or excessive fluctuations.

To make this clearer, suppose that, owing to the increased efficiency of the tools produced by the toolmakers, the product of the tailors was doubled. Manifestly, if this were to occur without some further adjustment of the economic relations, the surplus product of the tailors could not be sold.

The real outcome would be that fewer members would devote themselves to tailoring. If the tailors' efficiency were doubled, only half the number would be required to produce all the clothes that the community could wear; that is, four instead of eight, leaving the other four free to devote themselves to producing additional luxuries.

The results are shown in the lower two lines of the tabulation in Table I.

In place of 8 tailors producing 20 suits each, 4 would produce 40 suits each, but the same total amount — 160 suits. This would give each member of the community 1.60 suits for his annual supply, an amount just equal, by hypothesis, to the demand. Yet, in the face of this equality, the price could be only half of what it had been before — $2.50 per suit instead of $5.00 — leaving an equal amount to exchange for the additional luxuries, which the 4 released tailors would devote themselves to producing.

The clear conclusion is that by reducing the proportionate number of the members of a community which is required for the production of a certain product, the price of the product is reduced also, although the demand for it and the supply of it remain unchanged.

This conclusion is supported by the observed facts. We continually find commodities cheapened by the invention of machinery for their manufacture, making their production by a smaller number of individuals possible, although the supply and demand remain

Thus the antithesis between value in use and value in exchange is merged in the larger meaning of the word value, which includes both, as opposite faces of the same fact.

All this is in contravention of the usual economical dictum, that value is essentially arbitrary, and that it is determined solely by supply and demand.

Demand and supply do indeed determine value, but not in any arbitrary or fanciful fashion. If the farmers' crop were only half the usual amount, its value would necessarily double; and if a book failed to meet the expected demand, the stock of it would fall in value. Such fluctuations in supply and demand, with corresponding fluctuations in value, are continually at work, but under a completely organized industrial system they would not be wide and violent, as they are at present.

Even at the present time, when privileges and monopolies of all kinds upset the course of free exchange, something of the effect of proportionality upon price is observable.

The most powerful monopoly cannot raise the price of a commodity beyond a certain limit. The coal combination, while it may force the price of coal to ten dollars a ton, instead of three dollars, as it might perhaps be under free exchange, finds a point beyond which it cannot press its demands. It cannot possibly charge ten thousand dollars a ton, nor one thousand, nor a hundred, nor even twenty. It must sell at some approximation to the normal price, as determined by the relative amount of coal required.

In column VII are shown the average amounts of each product that each member must receive as income or consumption, or, what is the same thing, must disburse as expenditure.

These amounts are found by multiplying the proportional shares in column IV by the prices in column VI. We observe, with some astonishment, that these amounts are directly proportional to the number of members that devote themselves to the various occupations in column I.

of a society. Membership in a society is voluntary: membership in a government is compulsory. That is the radical distinction.

In order to become a social organization, government must become commercialized; that is, it must cease to be government. It must sell its services to those who choose to pay for them, and not try to force them upon those who do not want them. And that is what the fully developed social organization will be — voluntary and not compulsory — society and not government.

Some will regard such a proposition as too visionary to merit consideration. It is quite natural that they should so regard it at first glance. It was thus that flying machines were regarded before they became an accomplished fact. It was thus that the telegraph and the steamship and the locomotive were regarded, as the dreams of visionaries.

Yet invention after invention has become realized, until now the attitude of incredulity has changed, and it is hard to suggest any extravagance in the physical realm that is not calmly accepted as a possibility. We have gone on inventing physical improvements, until our industrial development has far outstripped our social institutions. It is time for us to devote some inventive thought to the social organization, to make it fit in with the industrial expansion, and to that end, no theory should be rashly rejected.

We are compelled to postulate such a voluntary society as we have outlined, because the relations of men under a spontaneous or voluntary form of association can be definitely formulated; while under an arbitrary form of organization — and authority is essentially arbitrary — their relations cannot be formulated.

Postulating, then, such a society, and assuming that the society of the future must be industrial and not military, we are about to investigate the industrial relations that will necessarily follow— the economics of a state of freedom.

DEFINITIONS

1. Economics is the science that formulates the commercial relations of men.

The early treatises prefixed the epithet "political," and spoke of economics as political economy. The reason for this was that their main object was to elucidate the commercial relations among nations under existing conditions, rather than among the individuals that compose a community, as well as among communities, under rational conditions. And ever since, economists have been content to explain things as they are, making no attempt to suggest any improvement. Their inventive faculty has become atrophied: they investigate minute details of what they are pleased to call practical problems; never concerning themselves with general theories at all.

In the sense in which we shall use it, the term economics is applicable to the simplest commercial transactions among individuals, as well as to those that take place among nations; indeed, very much more to those among individuals, because pure economics takes no note of the boundaries that separate nations, and because, after all, the transactions among nations are but the sum of a multitude of transactions among individuals.

2. Commerce is the exchange of services among human beings.

In the usual sense, commerce applies rather to the transfer of the material results of human labor. We now extend it, so that the terms may include the direct exchange of services for services, as when a lawyer draws up a deed to pay the doctor's bill; or of material products for services, as when the farmer offers the minister a barrel of apples as a marriage fee.

The general reciprocity between value in use, or utility, and value in exchange, or price, which we have noted; by which the most necessary products are the cheapest, and the comparatively unnecessary the dearest — this general reciprocity is thus seen to be not merely general but specific.

Their reciprocal nature is more distinctly shown by a special instance, as shown in the tabulation.

Suppose that one of the toolmakers changes his occupation, and makes the search for diamonds his special business. The product of the diamond seeker will be the equivalent of the 15 tools before produced by him. Assuming that he finds only one diamond a year, each member of the community will be entitled to the one hundredth part of a diamond (column IV), and the price of one hundredth of a diamond will be one bushel of wheat, or 100 bushels of wheat for one diamond— two and a half years' provision of food, the fundamental need of life, for one useless gewgaw!

This result, which is denounced by the moralist because he does not understand it, is seen to be the inevitable result of the division of labor in proportion to the need for the product. The greater the importance of any product, the more members of the community must devote themselves to its production, and the larger will be the quantity that can be, and that must be, exchanged for other products.

Value, then — absolute value — including both utility and price, is seen to be a proportion. It is the proportionate relation of the amounts of products required by the needs of the community.

Value, regarded as utility, is measured by these proportional amounts in gross, as in column II, or by the equivalent proportional amounts in exchange, measured as fractions or multiples of any one product, as in column V.

Value, regarded as price, is the same proportion differently phrased, as in column VI, in which the proportional amount of a unit of each product is given, compared with a unit product.

dicates; that is, in an average equal share of the total product for each producer.

This is evident from consideration of the simple conditions shown in the first four columns; column III being the total annual product of each occupation, and column IV the average share of each member, that is, the amounts in column III divided by 100.

In column V are the amounts of products that will exchange for each other, the exchange being supposed to be conducted by barter. It is clear that if the entire amount of the product of one individual will exchange for the entire amount of that of another, that is, if 100 bushels of grain exchange for 12 cows, the same proportion must prevail when any one commodity is used as a unit. Thus, taking one bushel of farmer's product as the unit, it will exchange for .12 of a cow, or .30 of a book, or 2 miles of transportation, and so on with the other items.

It is this exchangeability for a certain and definite proportion of other commodities that constitutes value in use, or utility, as we may more briefly call it, as opposed to value in exchange, or simply, price.

This second aspect of value is shown in column VI. Here the money prices of the various items are calculated in the usual way, the price of a bushel of grain being taken as the unit. If, in column V, a bushel of grain exchanges for .12 of a cow, a whole cow will exchange for 8.33 bushels, or $8.33.

After making all the calculations of prices, we compare them with the figures in column V, and find that they are reciprocals, and may be obtained from each other by simple inversion.

The total relative quantities of products required by the community, as shown in column I, or the proportional exchange quantities, as shown in column V, are the mathematical measures of the utility of products; the proportional amount of money required to purchase a unit of each product, as shown in column VI, are the prices, which are necessarily reciprocals.

Other things than services or the products of labor may be exchanged. Permission to labor on a certain piece of land may be granted, in return for a portion of the product; but such permission, not being a product of labor, the transaction is not a commercial exchange.

So again, at various times, sovereigns have granted certain privileges as monopolies to favorites, or to those who would pay for them, just as at present patent privileges are conferred; but neither the royal patent, nor that of a democratic government is a labor product, and consequently neither is in the realm of commerce.

3. Product denotes the result of labor.

Whether material or immaterial — the advice that is produced by the doctor as well as the potatoes that are produced by the farmer, the music or picture which are the singer's or painter's products, as well as the fish or coal which are the products of the fisherman or miner— all are included in the term "product."

4. Commodities are material products.

Thus, the potatoes, fish and coal are commodities: the doctor's advice and the singer's song, while equally products, are not commodities.

5. Labor comprises all human activities that result in an exchangeable product.

The functions of the pirate, of the soldier, of the government functionary, from bookkeeper to cabinet minister, are not labor, economically speaking, however laborious, in common discourse, may be their occupation. That it may be discussed by economics, the product of labor must be exchangeable.

We may therefore revise our first definition of economics, and say, in more technical phrase:

6. Economics is the science that formulates the exchange of labor products.

The three terms, labor, exchange and product are inseparably connected. That only is labor which results in an exchangeable product. That only is a product which is the result of labor and

which is exchangeable. That only is exchange which contemplates a transfer of the products of labor.

However laboriously this book may be written, it is not an economic quantity if no publisher will publish it. The unpaid investigations of the devotee of science, the hardships of the polar explorer, invaluable as their achievements may be, are not labor in the economic sense. So, too, with the large amount of work that is done gratis by societies and committees, with no material return. A man may be occupied every waking minute, and wear out his life with hard work, yet never perform a single act of economic labor, nor ever put forth an exchangeable product.

We must find some general conception of value that will unite in itself and harmonize these two antithetical ideas.

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**** Proposition V.*

Value is the proportionate relation of products in exchange.

Imagine a community, self-contained, consisting of a hundred producers, divided as shown in the tabulation (see Table I, at the end of the book)[1].

In the first column we have the representative occupations, and the number of members of the community that are engaged in each.

In the second column is the average product of each, assumed as an entirely arbitrary figure, and not in the least as a representation of the facts, as it is only the proportional and not the actual relations that we wish to investigate.

Now, it is evident that each member will have his whole product, except such portion as he may retain for his own use, to exchange for proportional amounts of the products of the others; and that he will require an average amount of one hundredth of the total product in each branch of production, making the total share of each equal to the one hundredth part of the whole product, and all the shares equal to each other.

It is true that the needs of each will vary. Some, who have been provided with a house, will not need another until the first is worn out. Others will want more of transportation and less of tools. Others, still again, will need more medical treatment, at the sacrifice of a portion of other things.

Production will also vary. Some from inability, some from sheer laziness, some from a philosophical scorn for superfluities, will produce less than others, and will be content with a less return. Nevertheless, each having a certain average amount of product to exchange, the average of the exchanges must result as the table in-

[1] https://i2.wp.com/www.libertarian-labyrinth.org/wp-content/uploads/2018

VALUE

The word "value" is generally used in two entirely different senses, and as a result, confusion occurs in discussions in which value is involved.

In the first place, value refers to the utility of the valued object and we say that we value it in proportion to our need of it, that is, to its usefulness or necessity to us.

Bread, for instance, is of great value, as it is essential to support life, and so with other food. Clothing, shelter and fuel are all necessary for life, and are all very valuable, in consequence of their prime necessity.

In the second place, value refers to the money price paid for the thing, and not to its utility at all, as when we speak of the value of a twenty-thousand-dollar diamond necklace, which is of no utility, still less a necessity of life.

Not only are the ideas denoted by the word value different, they are really opposite. It is not the most costly things that are most necessary to life, but, on the contrary, the cheapest. Water, bread, oatmeal, potatoes, salt, are among the cheapest commodities, yet what is more essential for life than these? Meat and coal, although costing about three times what they would if they were not monopolized, are still not expensive compared with unnecessary things.

A seat at the opera may cost the price of a ton of coal, yet the latter is a necessity, the former only an adornment of life. Everywhere we find the unnecessary and superfluous is the most costly, in direct proportion to its futility and superfluity; and the essentials of life cheap, in proportion to their necessity.

THE ECONOMIC ORGANISM

So great is the complexity o£ modern industry, so innumerable are the branches into which it subdivides, so minute the subdivisions and so involved their connections, that it seems almost hopeless to reduce the whole to anything approaching order. Nevertheless some partial and imperfect classification may be made.

All industry may be arranged under three or four general heads. First, what has been called extraction, that is to say, gathering the original supplies of nature, as is done by the miner, the fisherman, the hunter.

Next to these are the arts of cultivation, whereby the natural product of plants and animals is much increased; which easily divides itself into two branches, the one devoted to the cultivation of animal, the other of vegetable products — grazing and farming.

After these comes the division of manufacture, which deals with materials obtained from the natural state by the extractors or by the cultivators, and classifiable in three grand divisions: clothing, the first need of humanity after food; shelter, which succeeds clothing; and tools, which accompany every art at all stages, and might almost rank as the first need of humanity. To these we may add transportation.

Finally, there is the class that embraces those whose personal services are all that is given; no material product in any form being the result of their activities. This class comprises doctors, teachers, actors, ministers, business managers and the like.

Each of these classes is susceptible of subdivision into minor groups, and these again into the various individual occupations of which they are composed. It is possible therefore to arrange the

industrial divisions in tabular form after the manner of a genealogical chart, and an attempt at such a partial tabulation is shown on the opposite page.

Industry is thus seen to include the simplest activities, as well as the most complex; the sole condition being that the product shall be desired by others for their gratification and therefore be exchangeable.

The word product is applied alike to all the varied results of industry. A pail of water is the product of him who carries it from the spring, or pumps it from a well. A hatful of berries is the product of him who gathers them, if found growing wild, or of him who plants, prunes and waters them, if they are the results of cultivation. A calf is the product of him who has captured it in a wild state, or of him who has housed and fed the mother cow.

They who suppose that the increase of the cultivated field or flock is a natural increase, rewarding the owner beyond the amount of labor involved in the care of either, will find that the facts indicate the contrary; namely, that the price of the increase is in proportion to its average cost in labor, and exceeds it only by the minimum that constitutes the wages of the seller, approximating that of the average daily wages in other occupations.

Thus, again, a fish is the product of him who has hooked it. If it is carried ashore and sold by another person, it is the product of the fisherman and the marketman jointly. If it is turned over by the latter to a third, to be preserved on ice for an occasion when it may be sold, it becomes the joint product of all three, transportation and preservation being as truly acts of production as the hooking itself of the fish.

And the fish is the product not only of these, but of the man who has cut the ice during the winter previous, and of him who has stored it in the interval, and of the boatbuilder that furnished the fisherman with his boat, and the lumberman that cut the timbers for it, and the man that made the nails to fasten the timbers

Owing to the far from free conditions at the present time, we often see a very different state of affairs today; some of the most exhausting and life-destroying trades being among the worst paid. This, however, is possible only by the partial enslavement of the laborer.

Instinctively, even at the present time, men appeal to the standard of a lifetime of work unconsciously, and without any clear apprehension of its full meaning. Often we hear, in reply to a suggestion that the price for certain services is too high, the statement: "Well, I do not make more than a fair living," urged in justification.

And the commercial rejoinder, "What do I care for your living or dying, if I can find somebody else who will do it cheaper?" commonly supposed to be the irrefutable and irremediable ultimatum, is shown to be possible only under abnormal conditions, and the justification of the worker to be the really scientific attitude.

This proposition, which is obscure when applied to the exchange of material products, is self-evident when applied to direct exchange of services.

If two men, seeing the advantages of working together, one being a farmer, the other a carpenter, agree to aid each other alternately, the carpenter working for the farmer on one day, and the farmer for the carpenter on the next, the exchange is necessarily made on the basis of equal time of service. No man in his senses, and free from the complicated causes that now compel him to work for a minimum, would agree to work two days for another, in return for each day that the other worked for him.

In the case of the fisherman above instanced the agreement is necessarily for an equal share of the product, the time devoted by both the oarsman and the angler being the same.

It is only in these simplest cases, however, that the necessity of time measure can be traced; and it is upon these primary examples, especially of the direct exchange of services, that the elementary truth of the proposition must rest. The great variety in the nature of occupations makes a direct comparison impossible in the more involved cases.

A surgeon, for example, is not expected to be performing operations during all his waking hours. The time required for reading and study, attendance at clinics, and repose after the excessive strain of a surgeon's task, make the actual time measurement of his work very brief, in comparison with the whole working day.

In the same way, an opera singer is not expected to sing every day for eight hours continuously; nor could she under any system of equality. Practice, rehearsal and rest are all a part of her services, which appear to be performed in a brief evening hour.

So again, a teacher is expected to do actual teaching for but a portion of the day, the nervous tension during that time being excessive.

What it really reduces itself to is not the exchange of hour for hour, or day for day, of service, but of lifetime for lifetime.

together, and the miners that dug the iron and coal wherewith the nails were fashioned, in an endless network of ramifications.

The sole condition of human activities that is necessary to reckon them as labor in the economic sense, is that their product shall be exchangeable. By this test the services of the devoted physician are labor, as truly as those of a blacksmith or coal trimmer; because others will give him of their products in return.

In a state of society in which each man must do all the various kinds of work necessary for his existence, without exchanging his services for those of others, economic conditions do not exist. Such a state perhaps never prevails in completeness at this day: approximations to it are found among primitive tribes and in primitive communities.

In my youth I have often conversed with a farmer, at that time an old man of eighty years or more, who delighted in telling of the mode of life in his youth, on an isolated farm, which was the same for all other farms of that day.

Everything used by the family was produced by its members — food, clothing, buildings, even tools of forged iron. Wool and flax were grown, spun, woven, cut and sewed into garments, and leather was tanned from the hides of slaughtered cattle. The only outside worker was the cobbler, who visited each farm on his annual rounds, making shoes for the family, from leather furnished from their own stock, to last for the ensuing year.

In such a society, there is but the germ of an economic organization. It is only when tasks are divided, and exchange of services is general, that the organization of an economic society begins.

We have spoken of the complexity of subdivision that soon follows the earliest organization of labor — a complexity so involved in a fully developed economic society that it seems at first glance impossible to unravel or explain, like a huge machine, with its innumerable wheels and belts and cams, all moving in opposite directions and at various rates of speed, and each of which must fulfil its functions smoothly, from the great fly-wheel to the tiniest spring.

In order to reach any clearness of conception, it becomes necessary in economic demonstrations to suppose hypothetical societies, consisting of a limited number of individuals, sometimes as small as two or three, and never beyond the easy grasp of the mind, among whom certain relations may be shown to be inevitable. Such hypothetical groups correspond to the diagrams used in geometry, or to the symbolism of algebra, presenting fundamental facts in such brief and compact form that their relations can be determined by mere inspection.

The validity of such a method of demonstration is based upon the definition of commerce that we have laid down, as the exchange of services among men. The principles that govern a transaction between two individuals, or among a hundred, are the same that rule when a thousand or a hundred thousand are involved.

Some such device is indeed essential, if we are to reach any conclusions at all, in the face of the rush and roar of modern commerce; as the geometricians diagram of the curve of wave motion clears up problems of hydraulics that could never be solved by merely watching the dash and swirl of the tumbling breakers. We are now in a position to approach the series of formulas that together constitute economic science.

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**** Proposition I.*

All production leaves a surplus.

Conceive the primitive producer laboring alone. At first almost his whole time is occupied in searching for roots and berries and in the hunt. He must soon find leisure in which to build his hut: the hut, being in excess of the bare living which he had gained before, is a surplus, which remains in the possession of the producer, not only augmenting his comfort, but increasing his power of further production.

Then each day sees an additional increase in his possessions: Clothing is made, a horse is captured, a corral is built. With a mount, the chase becomes easy, and surplus time is left for the

shares?" "Because I am so much more skilful than you that I deserve the larger share." "Granted that you are the most skilful with line and hook; but what would your skill avail you without some one to row? You could not catch any fish at all from the dock." "I know that I could not," replies the first, "but any one can row, while it takes a clever man to fish." "No, I will row only for an equal share of fish." And, as an oarsman is necessary for a fisherman who would fish from a boat, the equal agreement is made.*

It is only by reducing transactions to these simplest conditions that the essential equality of services becomes manifest. In both these examples the conditions are simple and equal for both parties. In more complicated transactions, the equality is not self-evident; especially as our ideas are distorted by the prevailing system, which is based on an artificial inequality.

But in a state of freedom, the rougher kinds of work would exchange on equal terms with the gentler, because the product of the rough work is as necessary as that of the gentle work. It is true that if hodcarriers were paid as much as merchants all sorts of evils might ensue. They might acquire ideas entirely "beyond their station"; their children might be educated as well as those of the merchant himself; and no one can tell what other catastrophes might not happen.

On further reflection, it would appear that perhaps an educated hodcarrier might not be such a bad thing after all. There are many college-bred athletes who would make excellent hodcarriers; and there is no reason why a well-bred hodcarrier should not be an agreeable companion for any other well-bred person.

*See Appendix I.

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**** Proposition IV.*

The product of labor in exchange is measured by the time required for its production.

does nothing himself — the landlord. We still exchange, subject to the will of him who permits us to exchange — the banker; but we have escaped from the conditions of chattel slavery and of feudal serfdom of the past. Postulating such a condition of freedom, the mode in which exchanges must occur is self-evident.

In the relation of master and slave, it is impossible to predict what exchange of services will take place. The slave is forced to give as much service as the master chooses to exact; while the master, in return, gives as little as it may please him — a hickory shirt and trousers a year, with corn meal, pork and molasses for food, or as much more liberally as he may prefer. The exchange, however, cannot be predicted; it is entirely arbitrary — a matter of the proprietor's choice.

So again, if two men were exchanging peas for potatoes, the transaction would be carried out on terms that each esteemed fair, if both were free; but if a third party stood by, empowered to take all that he could seize, by force or fraud, of both peas and potatoes, the transaction would terminate differently, and in a way that could not be predicted.

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**** Proposition III.*

In a state of freedom, products are exchanged for equal products.

For, in the absence of compelling causes, no man would accept less of the product of another in exchange for a certain amount of his own product than could be produced by himself with an equal amount of exertion.

"Give me two bushels of your carrots, and I will give you two bushels of my potatoes,'* says a farmer. "That will not do at all," replies his neighbor, "if I had planted potatoes, I could have raised three bushels of them as easily as two of my carrots. I will trade only on those terms — two of my carrots for three of your potatoes."

"Come and help me catch some fish; you shall row the boat, and I will hold the line, and of every four fish that we catch, you shall have one." "Why only one?" replies his friend; "why not equal

first planting of seed. Soon the crop gives an assurance in advance of a living for a season, and there is still more time left for the production of a further surplus.

The continually increasing surplus, each day larger than on the preceding, because it is the purpose and the result of each surplus to facilitate further production, this growing surplus grows with still greater rapidity with the beginning of associated effort.

Division of labor, by which each one does that which he can do best; commerce, by which he exchanges his product for those of others; tools and machinery, by which the product is increased a hundred or a thousand fold, with no increase in labor; all these unite to make the product of the civilized man incredibly greater than that of his primitive brother.

It is not easy to realize this, on account of disturbing factors that affect the results. At first glance, the modern laborer appears to be but little better off than his savage predecessor. A dark room in a tenement is not so much to be preferred to a tent in the open; nor is the fare of the modern worker very much better than that of the more advanced barbarous tribes — let us say of the Pueblo Indians.

The reason is that by legal methods which we have consecrated, the surplus does not belong to him who produces it; but is diverted from his possession, and put into the hands of others.

From this point of view, the fact that an enormous and ever-increasing surplus is produced needs no demonstration. The vast stores of wealth which we see before our eyes accumulating daily, at an ever-increasing rate, in the hands of a few, are the surplus product of labor, which would bring abundance and ease to all, if it were not snatched from them by means so obscure that it needs all our attention to explore them.

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**** Proposition II.*

Capital is the surplus of production.

The economists have always staggered when they attempted to define Capital, because they failed to reduce the conception to its

elements, and tried to make a definition which should include the artificial disturbing forces which distort capital from its natural forms.

Accordingly they have tried to divide products into those which were consumed and those which were used for further production, into fixed capital and floating capital, and so on.

No such distinction is necessary.

The food that a man eats, the house in which he lives, the carpet on his floor, the clothes on his back, are as certainly used in furthering production, although indirectly, as are his tools, his machinery, his factory or the coal in his boiler-room.

The exertion of the higher faculties depends, to a very large extent, upon surroundings of comfort, even of luxury. An astronomer, or a musician, or a painter, or an inventor, could accomplish little if he were housed in a fireless tent; for, besides the discomfort that numbs the faculties, there is no place for permanent accumulation, no furniture wherein to keep books or instruments, no objects of art wherewith to stimulate the mind.

Thus, our domestic and personal possessions, and even the food that we eat, are as clearly essential for further production, although indirectly, as are the various appliances which are directly used.

FREE EXCHANGE

By free exchange is meant such exchange of services as will occur among men each of whom is guided in his actions solely by his own judgment of his own interest, subject only to the material limitations of the world in which he lives, but not restrained by the will of other men.

This seems a roundabout way of saying a simple thing; but it is really the whole question of freedom that is involved, not only in exchange, but in all relations; and the statement is meant to cover the carping of them who are wont to say, "None of us is free; we are all limited by circumstances; we are all slaves to our passions . . . and so on" whenever any question of free or not free is raised.

It is not deprivation from lack of ability or opportunity that is intended.

When the rising tide threatens to surround us, we do not complain that we are deprived of liberty because we are compelled to run, to escape being cut off and drowned. Nor do we say that we are enslaved if we find that it is impossible to raise bananas in a northern climate, because the season is not long enough to ripen them.

On the contrary, it is precisely the freedom to adapt our actions to circumstances that we call freedom; and it is only when we are restrained from doing so by the will of another human being like ourselves that we call it slavery.

Such a state of freedom has never existed in the past, and does not nov^ exist; yet toward it, through all the centuries, the world has been moving, and is now, perhaps, in sight of the goal. We still labor, subject to the will of him who permits us to labor, but

John Beverley Robinson
The Economics of Liberty
1916

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zero, even more rapidly than they had increased. The last step, in which privilege takes the whole product, is manifestly impossible, as something, however little, must be left for the workers to live upon.

The returns to the privileged nonproducer grow fast, as shown in column VIII, almost doubling in each of the first two steps from 3.60 to 6.40, and from 6.40 to 11.20; but at the same time the returns to the worker also increase from 1.60 to 2.40 and 3.20. At this point, however, the returns to the worker reach a maximum, while those to the nonproducer continue to increase.

This explains how it is that the workers may be in an apparently flourishing condition, as it is often pointed out that they now are, while ruin is nevertheless impending.

It is true that the producers now enjoy many comforts and luxuries which formerly they could not obtain; but when it is argued that they should therefore demand nothing more, this demonstration confounds the conclusion.

It shows that society has now reached or is approaching the maximum stage, represented in column V by a total share of 224 for the producers; and that if the portion taken by the privileged is increased beyond this, even by a small advance, the catastrophe will be universal and overwhelming.

The curves illustrating these conclusions are shown on the next page.

Recurring to Table II, a very different state of affairs is shown to prevail when the rate of production is constant. The rate of deduction by privilege both from the number of the producers and from their product is the same in both cases; yet the portion divided among the producers, as shown in column V, does not exhibit the culmination to a maximum and swift decline afterward that occurs when production increases rapidly.

On the contrary, the maximum is at the beginning, whence it steadily declines, and may be arrested at any stage by the cessa-

tion of[1] the exactions of privilege. Such seems to have been the history of the Oriental nations. Privilege is as rampant there as it is here; yet as the rate of production is substantially constant, and is not accelerated by labor-saving inventions as it is in the Occident, there is no growth in the reward of the workers, and no impending sudden decline.

The maximum point, between the third and fourth ordinates in the diagram on the next page, is the revolution point. Up to that time, in progressive societies, the producers have enjoyed an increasing share, although small in comparison with the amount taken from them. They have accordingly been tolerably satisfied, realizing their condition to be somewhat improved.

Taking advantage of this, the privileged class endeavors to secure a still greater portion, believing the producers to be prosperous, and not aware of the inevitable descent. The producers, feeling rather than understanding that they are face to face with ruin, resist, in a way that privilege does not in the least comprehend.

Such a point our civilization appears to be reaching.

Wealth abounds; splendor sparkles everywhere; it is the golden age returned. One step more, and the crash is at hand!

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It must be borne in mind that the foregoing discussion aims at elucidating general principles, by postulating a theoretical society of simple organization, in which no producer has any benefit from privilege, and none of the privileged takes any part in production.

Our present society is complicated beyond the possibility of formulation, for the reason that privilege is widely, although very unequally, distributed, while few of the privileged take no part in production.

Hitherto we have spoken of privilege in the abstract; we are now to consider the most important forms of privilege, as it exists at

[1] https://i0.wp.com/www.libertarian-labyrinth.org/wp-content/uploads/201

present, through which the products of labor are taken from the producers.

LAND OWNERSHIP

In a commercial society there are two general divisions of activity, production and exchange.

Corresponding to these there are two forms of privilege by which all industry is controlled; land ownership, which controls production, and the money privilege, which controls exchange. Our business now is with the first of these, namely, the privilege of land ownership. The word land, in its economic sense, is used in a far wider significance than in its usual colloquial meaning. Land, in the economic sense, means all natural opportunities for labor to exert itself.

Labor, in order to produce, must have material whereupon to work, a place to stand while working, a place to lie while sleeping.

The farmer uses land directly; the cobbler and actor both directly and indirectly. Both cobbler and actor must have a place to live and a place to work, and for these they use land directly; the cobbler, in addition, must have leather, which ultimately comes from the soil; and both cobbler and actor must have food, which also comes from the soil; and for these they are dependent upon the land indirectly.

Even water is land, economically speaking. Opportunities to produce are presented by waterfalls for power and by rivers for irrigation, by lakes and oceans for fisheries, and by all navigable waters for transportation. Although the high seas are free to all, after they are once launched upon them, yet the sailor must have land whence to embark and whereon to disembark.

If the whole earth were owned by one man, it would mean that he would have absolute power, in law, to prevent all the rest from working or even existing upon it. He could put up his signs, "Tres-

passers not allowed," and there would ne nothing for it but to emigrate to another planet.

Or if the earth were owned by a hundred million men, it would leave the remaining nine hundred million equally subject to the sovereign will of the land owners.

And that is precisely the state of affairs that prevails today. The population of the earth is estimated at something like fifteen hundred millions. Of these how many are land owners? We can only guess. One in ten? Surely not as many as that. One in a hundred? Perhaps one in a hundred. That would be fifteen millions who own the earth and hold the lives of the remaining fourteen hundred and eighty-five millions in their hands.

For the owner of the land controls everything and everybody upon it; and if these fifteen million land owners were to order the rest off their land, where could they go? To the high road perhaps, where they might walk until they starved, leaving the land owners the sole inhabitants.

But the game of the land owners is not to order people off the earth. Far from it! What they want is that as many people as possible should live and labor upon the earth — their earth — on condition that they give the land owners a large part of their product, in the form of Rent.

Rent is the part of the product taken by the land owners from the producers for permitting the producers to go to work.

But, you may say, I have no interest in land rent. I am a clerk, working for $16.00 a week. I do not use land. What have I to do with the land question?

Your employer is perhaps a merchant, who pays $20,000 a year for his warehouse. If it is in New York City, at least $10,000 of that will be for ground rent. He employs half a dozen bookkeepers, and as many salesmen and porters, possibly twenty in all. If he paid no ground rent there would be $500 apiece available to raise the wages of all hands. Have you, indeed, no interest in rent?

And how much do you pay for board? And of her expenses, what part does your boardinghouse keeper pay for ground rent? And the dealer from whom you buy your clothes — what ground rent does he pay? On every side you are bled by Rent.

And what does the land owner give in return? Remember, we are not speaking of buildings, but of the land only upon which the buildings stand.

The land owner gives nothing whatever, but permission to you to live and work on his land. He does not give his product in exchange for yours. He did not produce the land. He obtained a title at law to it; that is, a privilege to keep everybody off his land until they paid him his price. He is well called the lord of the land — the landlord!

Even if the merchant has bought his warehouse outright, so that he pays no rent directly, he still pays rent indirectly, through the purchase price paid to the previous owner.

Directly or indirectly everybody must pay rent to the owners of the soil. Either in the form of annual or monthly payments, or in the form of a price paid for purchase, everybody must pay for a place to live upon and a place to work upon.

But, you will say, men must be secure in the possession of the products of their labor; and how can they be secure unless they own their land?

There are two kinds of land ownership, proprietorship or property, by which the owner is absolute lord of the land, to use it or to hold it out of use, as it may please him; and possession,* by which he is secure in the tenure of land which he uses and occupies, but has no claim upon it at all if he ceases to use it. He cannot hold it out of use, and prevent others from using it. For the secure possession of his crops or buildings or other products, he needs nothing but the possession of the land which he uses.

For instance, in the mining regions, vast areas of mining land are held out of use by the mining companies, which own all the land about. How long, do you think, would these terrible strikes in Colorado and Michigan and West Virginia have lasted, if the

obtained per square foot of ground was proportionally increased, and the land became by just so much more valuable.

A mine is more valuable than the fields about it, because hundreds of workers can produce in a limited area. From each one rent is exacted, not directly, it is true, but by the reduction in wages that miners suffer.

In a state of freedom, when land ceased to be monopolized, all this would cease. The producer would use as much or as little land as might be required by his vocation; and land would no longer have any value, because no rent could be deducted from the product of the workers.

It is necessary for the production of all the varied products of civilization, that there should be different kinds of land, some arable, some mineral, some waterpowers, some towns and villages. For each variety of each different kind of product, minor differences in land are needed; and, in the end, by a continual process of adjustment, each piece of land would be used for the purpose for which it was best fitted.

Differences in the natural qualities of land bear a close analogy to differences in the natural ability of persons. So far from being a cause of inequality in income, such differences, whether in the land or the individual, are essential for equality. An equality not doled out as an equal wage by a quasi-military government, but a powerful tendency to substantial natural equality, as the sea tends to a level surface, in spite of the waves that continually vary temporarily its placidity.

In carrying on their various works of production, men do not all want the same piece of land, nor even similar pieces. The farmer would have no use for a city lot for productive purposes at all. Under the present system he could indeed by his power of monopolistic holding obtain a price from somebody who could use it; but, without this power, such a lot would be quite useless to him for productive purposes.

On the other hand, his farm of forty acres would be equally useless to a professional man, say a physician. And neither the farm nor the lot would be of any use to a deep sea fisherman.

People require different quantities of land and different localities, according to the character of the industry in which they engage. For some mere desk room in an office is all that they need: for others, many acres are necessary. But the desk-room man can do nothing with the acres; while the acres man would be just as much at a loss to carry on his business with only desk room.

Now the monopoly of all land makes it possible for the holders of land to demand a certain average amount from all who work on the land, that is, from everybody, whether the particular land each one needs be much or little.

And this appears to be the reason why city land is commonly reckoned to be more valuable than land in the country. City workers do not need much land in their pursuits — would not be able to use it if they had it. But monopoly takes an average equal share from each, and the rent of a grocer store on a twenty-five by a hundred foot lot may equal or exceed that for a large farm.

So that land of small area, upon which many people can work, permits the exaction of a higher rent by monopoly, and is therefore accounted more valuable.

When the elevator, and its offspring, the tall office building, were invented, permitting workers to be piled up twenty stories high, instead of five as before, the amount of rent that could be extracted from each of them remained the same, but the amount that could be

miners had been free to go to work and open up new mines on the unused land? Not an hour! Not a minute!

All that is necessary to do away with Rent is to do away with absolute property in land; to make all land that is not in use free to anybody to enter upon it and use it.

Nor will any temporizing measure short of this suffice. Great as were the services of Henry George in familiarizing people with the destructive nature of our present system of land tenure, his single tax scheme cannot be regarded as a remedy.

For the reason that, if rent must be paid, it is no particular relief to pay it to the government in the form of a tax, rather than to pay it to an individual in the form of rent.

If the coal miners of West Virginia were free to go to work and open up new mines on any unused land, it would immediately relieve the situation; but if they first had to pay a government tax, almost equal to the rental value, they would be as badly off as ever; the land would be as inaccessible as ever.

No, the only real remedy is a change of heart, through which land using will be recognized as proper and legitimate, but land holding will be regarded as robbery and piracy.

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Economists distinguish two forms of rent, what is called economic rent and monopolistic rent.

Economic rent is the difference in productiveness of different localities. Thus, of two mines, one of which was richer in ore than the other, the additional product of the richer mine would constitute the economic rent of it. Monopoly rent is the price demanded by the owner of the soil, whether as a lump purchase price or as the usual periodical rental payments, regardless of its productiveness.†

It is monopoly rent that results in vacant land.

By making all unused and unoccupied land free for anybody to use, monopoly rent would disappear, and monopoly price, the speculative price at which vacant land is held, which is equivalent to

rent, which is, in fact, monopoly rent capitalized, could no longer exist.

But economic rent — the advantage that might inhere in any particular piece of land, from greater fertility of soil or superiority in situation— this economic rent would still remain. With this difference, however, that the greater product would inure to the profit of the users of the land, not of some so-called land owner.

The tendency of economic rent is always to reduce itself to a minimum; because the inherent advantages of land are variable. That is, a disadvantage for one sort of use is often an advantage for another.

On the shores of Lake Michigan are certain barren, sandy tracts, until recently regarded as almost worthless for any use. It has been found that they are peculiarly suited for growing peas; and now large quantities of peas are produced upon them, and the price of land there has risen tenfold.

The difference in natural advantages upon which economic rent is based, are like the differences in natural ability of the workers; they are differences in kind rather than in degree. The stupid, stolid worker may be better fitted for certain kinds of work than one of more intelligent, nervous organization. The swamp may not grow wheat; but may be admirably suited to cranberries.

The differences in product caused by differences in personal qualities and differences in the qualities of the land both tend toward a minimum, and eventually toward extinction.

Proprietorship in land, upon which monopoly rent, and its equivalent, speculative price, are based, is quite different. It is wholly an artificial privilege, which all the powers of government, and of our privilege born law, are exerted to uphold.

The rent of monopoly, so far from being an addition to the product of the worker, is a deduction from it, entirely to the advantage of the landlord, and continually tending toward a maximum, as the land becomes more and more completely monopolized.

APPENDIX II.

Economic rent is said to be inherent in the advantage obtained by the producer who occupies a superior site — superior in fertility, accessibility or otherwise.

It is admitted that the market price is fixed by the cost of production under the most adverse circumstances. Thus a farmer whose farm was ten miles distant from the market would have to add the cost of transportation for ten miles to the price of his product. One whose farm was only one mile distant would have a proportionally less amount to pay for transportation; but he could obtain the same price as the more distant one. The additional amount above the cost thus obtained by the occupant of the nearer site is held to be the economic rent.

This is the celebrated Ricardian theory of rent; and, at first sight, it appears to be irrefutable.

I am strongly inclined to think that the theory is erroneous; that it is, in homely phrase, putting the cart before the horse.

It is commonly said that the most valuable land brings the highest rent, that less valuable land brings less rent, that the amount of rent that can be obtained is in direct proportion to the value of the land, and immediately results from it. Ordinarily no one would dispute this proposition.

An opposite view, however, may be taken. Instead of saying that the most valuable land brings the most rent because it is the most valuable, we may turn it about and say that the most valuable land is the most valuable because it brings the most rent. This seems to be the same thing: it is really quite different.

is the only stimulus, is the economic equivalent of that spirit of emulation toward which collectivists have pointed as their ideal.

Both government and law exist, as any lawyer can tell you, to protect property, that is, proprietorship in land among other forms of property. Without force, that is, government, proprietorship in land would cease; and, on the other hand, without proprietorship there would be no function for force government, and it would lapse into a more perfect form of social organization.

A free association would uphold the producer in the possession of land for use; and all efforts to restore the land to the people must include, as a necessary condition, the extinction of the governmental form of organization and the erection of free society.

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*Strictly, it is incorrect to call possession ownership. The word is used to convey the idea that security in possession may be attained without absolute ownership.

† See Appendix II.

THE MONEY PRIVILEGE

Sometimes, instead of purchasing a commodity out and out, people want to buy only the use of it, for a longer or shorter period. The price paid for such temporary use is commonly called hire. A horse and buggy hired from a livery stable, a room at a hotel hired for the night, a house or apartment hired by the month or year, are instances.

In precisely the same way money is often hired, and the hire paid for the use of it is called Interest.

In the past, when gold and silver were the only money, the hire of gold and silver was on the same footing as that of any other commodity. . Large sums were paid for the use of money, because the available amount of gold and silver was far less than was needed to carry on the commercial transactions of the times.

From its nature, money is peculiarly adapted for hire. Gold and silver money is something that nobody wants for itself, but only for the purchase of other things. It is used only when it is expended. It is true that it may be kept, and melted down and made into watch cases and jewelry; but then it ceases to be money and becomes a commodity of a different sort. As money, its use is needed only temporarily.

The merchant who needed to replenish his stock of goods, could do it with the money that he hired, as well as if he had owned it; and when the goods had been sold, he could pay it back to the lender, together with the price paid for its hire^ — the Interest.

As long as gold and silver were the only money in use, such money was lent by the money lender, just as horses were lent by the livery stable keeper; and the large prices exacted as interest

By the opening up of the sources of production, and by the freeing of exchange from the shackles in which it is now held, there will result abundant employment for everybody. The army of the unemployed will vanish. There will be more work to be done than there are men to do it. Nobody will lack work nor fear starvation.

When everybody is employed, and each is able to dictate the terms of his employment, because work will be crying for men, not men for work, although the word "competition" remains the same, the condition that it denotes will be completely changed. It is a pity that some other word could not be invented to describe it.

It will be a struggle, not of man against man to get employment, but of each to find the sort of work for which he is best suited, sure, meanwhile, of a good living, even though the work that he is doing does not quite suit him.

The struggle will be, not to produce the poorest possible work, in order to lower the price and force a sale, but to do the best work possible, at a price which tends continually toward a normal fixed price, notwithstanding small fluctuations.

The struggle will be for the men and the land to adapt themselves to each other, so that the varying qualities of land and the varying qualities of men will become fitted together to produce various products in greatest abundance.

Thus competition, in its new sense, becomes the most perfect spontaneous cooperation; not the quasi-military cooperation of compulsion, but the natural cooperation of free choice, for a reward equal to the whole product, determined by the inevitable working of economic relations.

By competition, in this quite different sense, the price is spontaneously reduced to the cost of production, the cost being the expense for material, overhead charges and all other expenses, plus the wages, in the economic sense of the producer, which continually tend to equality.

Such competition as this, where the producer is not in continual peril of his life, when life is secure anyway, and the desire to excel

Worse than all, privilege casts out thousands of workers to rot on the street — ^workers who would be both producers and consumers if they were permitted by privilege.

It is to avoid this hell of being out of work that causes the present scramble of so-called competition. It is competition to be permitted to work; and no one who has experienced the frightful sensation of not being able to find employment will think "hell" too strong to describe it.

Men who are out of work are desperate, and will work for a bare pittance to avoid starvation, excepting always an intelligent minority, who refuse to work for almost nothing, and deliberately embrace a life of idleness and beggary, whom privilege stigmatizes as "professional tramps."

The others, who are also out of work, but who will work for a minimum, privilege highly esteems as a means of reducing still further by their competition the amount that it must pay its slaves. Privilege regards "the army of the unemployed" as a providential provision to keep down what privilege calls the cost of labor; and willingly doles out small charities to keep them from total starvation.

Among the employers and mercantile classes competition is the same cutthroat struggle to be permitted to work. The storekeeper or manufacturer who cannot obtain money or credit from the bank, because he cannot pay the amount demanded by privilege, is forced into bankruptcy, forced to close up his business and begin life anew; perhaps forced into the ranks of the wage workers, if indeed he is not left quite stranded and hopeless among the unemployed.

Little wonder that the mere word "competition" arouses shuddering terror and angry protest!

The competition that determines exchange prices in a state of freedom is an entirely different matter. It is not a mad stampede to escape destruction but the rational effort of men who are already well provided for to improve their condition.

were possible only because of the natural restriction of the supply of gold and silver.

Modern money is an entirely different affair. Modern money is almost altogether credit money. Gold is used to a certain extent; but the great bulk of the money in use is not gold but promissory notes, called bank notes — paper money, in short.

These bank notes are promises to pay on demand, like the ordinary promissory notes of individuals, with this difference that the law requires individual promissory notes to be endorsed by each holder, while it permits the bank notes to pass from hand to hand without endorsement. This power of passing from hand to hand without endorsement constitutes the bank notes currency, while the notes of individuals are not currency.

In addition, the notes of the individual are for irregular, fractional and usually large sums, while those of the bank are for regular, integral and comparatively small sums.

The business of a bank is to lend money; which amounts, nowadays, to lending credit. All the credit notes — the ordinary bank notes — in circulation were originally borrowed from some bank.

"You are living on borrowed money," says a man to his friend. "Not at all; this money in my pocket is my own; it is not borrowed," answers his friend. "You may not have borrowed it," is the reply, "but somebody originally borrowed it, without doubt."

And with perfect truth, for there is no way to obtain bank notes but from a bank, and the bank does not give them away, but lends them. In this way, the charge that the bank makes for the use of its notes— the interest — is a continual and universal tax upon all the members of the community.

Not an old woman that buys a paper of pins, without yielding a part of the price to the banks as interest!

(For the sake of simplicity, I make no mention of minor matters, such as United States certificates. What I state is substantially true of the great bulk of the currency.)

The mechanism by which these current notes are obtained from the bank is this: A merchant sells a bill of goods to a retail dealer. The retail dealer does not pay currency for them; he gives his promissory note, payable in sixty or ninety days. This note the wholesale dealer takes to his bank, and the bank gives him credit on its books for the amount of the note, less the bank's profit in the form of a discount. The merchant is then entitled to draw checks against this credit, in payment of his own debts, for stock, for rent, for employees' wages. Many of these debts are settled by check; others, such as employees' wages, require currency.

The bank will not discount the merchant's note, unless it is sure of his solvency; so that what the bank really does is to certify to the merchant's solvency, and issue its own current notes, in place of the individual promissory note that it receives.

The service that the bank thus performs is indispensable, the only question is as to the amount of payment that it receives for its services.

Nominally the rate of discount is the current rate of interest — four, five or six per cent — practically it is much more.

And for this reason: Almost all checks ultimately are paid in currency. The check given by the merchant for his stock goes to the manufacturer, who ultimately must have currency to pay his employees; and so with other checks that he may give — almost all mean currency sooner or later.

Now this currency is spent for groceries, meat, clothing and all the needs of life; and is immediately redeposited in some bank by the grocer, butcher or clothier, and used again by the bank to discount some other merchant's note. Thus the same currency is lent by the bank over and over again, so that the interest, in the form of discount, is doubled and tripled and often quintupled or more. And that is why banking is such a profitable business.

The reason why the banks are able to make such large profits, on what, after all, is the simple and safe business of certifying to the

APPENDIX I.

The equalization in the exchange of products, which is represented as resulting from the chaffering of two individuals, is, in a developed society, accomplished by competition.

This word "competition" is a scarecrow to many who see clearly enough that the only solution to the industrial problem lies in the retention by the producer of his whole product; but who deem it necessary, in order to reach that end, that some superior power should control all sources of production, and deal out the products to the workers in some fixed proportion. These are called "collectivists"; and they think that it is possible to form such an organization, which shall be free from the defects inherent in government.

It is not surprising that they shy at the word "competition", for by "competition" they picture to themselves nothing but the present ghastly struggle of worker against worker, to avoid being pushed into the abyss.

At present, not only the nonproducing classes are held by privilege as its servitors, receiving what pay privilege chooses to grant, but all who work for wages are reduced to the same condition. They receive from privilege, not their whole product, but a mere fraction of it, so that the term "wage slaves" is not a rhetorical embellishment, but a precise statement of an economic fact.

When privilege finds it impossible to sell its product, because the producers, who should be also the purchasers, are without the means wherewith to buy, instead of raising their pay to give them power to buy and thus extend the market, privilege cuts down their pay still lower and restricts production to suit the diminished sales.

More probably things will go on as they are, until a crash comes. The present system, pushed to its extreme, will fall in ruin. Hundreds of thousands of impoverished wretches V7ill besiege the soup houses, and beg for shelter in the churches. Business will be prostrate. Banks will fail by the hundreds. Stocks will pay infinitesimal dividends. Bonds will fail to yield interest. The "reptile press", as John Swinton used to call it, will attribute everything to ''lack of confidence".

Then a few of those who know will establish banks, which the government will be powerless to prohibit. Land, fallen into worthlessness as a rent producing power, will lie open for use. Gradually the new society will build itself up, upon the pile of carcasses left by the expiring civilization.

In whatever way it may come, may it come quickly.

solvency of a man whose solvency is assured, is that the amount of current notes is limited by a series of governmental restrictions.

In the first place, there is the legal tender law, that all debts must be paid in gold. This includes the current notes of the bank, which are supposed to be redeemable at any moment in gold. Every bank is required to carry a certain amount of gold for the redemption of its notes. The amount of gold that the bank carries is far from sufficient to redeem all its notes, but the reserve, as it is called, must not fall below a certain minimum.

As this minimum is approached, the bank restricts its loans, and raises its rate of discount. In times of stress, when currency is much needed, the bank may refuse to make any loans, thereby precipitating one of the commercial panics that so frequently occur. The newspapers are in the habit of attributing such panics to a foolish and unreasonable "loss of confidence." It is natural that a merchant whose notes have hitherto been freely discounted, should "lose confidence" when discount is refused. His warehouse may be overflowing with valuable merchandise, his assets far in excess of his liabilities, yet he may be forced into bankruptcy, simply because the gold reserve of the bank is low.

In the second place, there are various laws of the different States and of the United States, arbitrarily prohibiting the manufacture and loan of current notes by anybody but a lawfully organized bank; with penalties ranging from fine to imprisonment. By the Federal law the fine takes the form of a ten per cent tax upon the notes circulated, which acts as a complete prohibition.

Were it not for these restrictive and prohibitory laws which support the money privilege or banking monopoly, it would be easy to start competitive banks; and, with free competition, the charge for money lent would be brought down to a minimum, as in other kinds of lending business.

A livery stable keeper, for instance, must charge enough to pay for feed, care, cleaning and all incidental expenses, and for the re-

placement of his horses and vehicles as they wear out; and in addition his personal income or wages.

Under free conditions, the same would occur in banking.

If people were as free to establish banks and lend currency as they are now to establish livery stables and lend horses, competition among banks would reduce the rate of interest to the minimum necessary to cover expenses and to give them who were employed in the business an equitable wage.

This minimum interest charge, it has been calculated, would be about one-half or three-quarters of one per cent, instead of the present ruinous and exorbitant charge of fifteen or twenty per cent.

Upon the monopoly rate of interest for money that is thus forced upon us by law, is based the whole system of interest upon capital, that permeates all modern business.

With free banking, interest upon bonds of all kinds and dividends upon stock would fall to the minimum bank interest charge. The so-called rent of houses and other improvements would fall to the cost of maintenance and replacement.

All that part of the product which is now taken by Interest would belong to the producer. Capital, however capital may be defined, would practically cease to exist as an income producing fund, for the simple reason that if money, wherewith to buy capital, could be obtained for one-half of one per cent, capital itself could command no higher price.

If the laws restricting the issue of currency were done away with, such a state of affairs would easily be brought about by voluntary associations.

Banks could and would be established, not, as now, by a handful of stockholders for their own profit, but by associations of business men for their convenience and advantage.

These men would pledge their assets to support the credit of the bank, and would accept the current notes of the bank in exchange for their own notes, paying only the trifling percentage required to defray the cost of carrying on the bank.

burglars for a moderate charge. Many subscribed, and their houses were carefully watched, while nonsubscribers took their chances. It is needless to say that if a burglary had occurred in one of the subscribers' houses, the subscriptions would have fallen off rapidly.

Under such a system, you pay for what you get, and you get what you pay for; or, if you don't get it, you don't pay for it.

Objections innumerable may be urged by people who are incapable of grasping broad principles. Demands for a clear description of the future society in all its details, with information as to how it is to be brought about, will be made by others.

It is impossible to prophesy the future in particulars; still more impossible to foretell just how the change will come about; but there seems to be no serious reason why such a voluntary system should not be extended to all public affairs.

Courts would become arbitrators, with no power to enforce their decrees, save when the local Liberty Defence League might be called upon.

Roads could be maintained by road building societies, local and general. Lighthouses by boards of trade and ship owners' societies.

Railroads, in the absence of dividends, would be in the hands of only such stockholders as had some personal interest in their management; or would revert entirely to the employees organized to carry them on.

Freedom of land for use would be asserted and maintained and freedom in the issuing of currency as well.

With the incubus of Privilege removed, producers would retain all their product. Wealth and poverty, and the ignorance and crime that poverty begets, would disappear. A new world would dawn upon us, where industry and comfort would be for all, and where joy and gladness would take the place of care and misery.

Just how this is to come about, no one can tell. Possibly thinking people, seeing the advantages, may increase in numbers sufficiently to refuse to pay rent and taxes, and to force from government the liberty to organize a free banking system.

What, then, are the limits of liberty in social life? What actions are to be permitted, and what prohibited? How can we prohibit anything, without thereby erecting privilege?

All actions may be classified under two heads, as non-invasive and invasive actions. Invasive actions are such as restrict liberty of action on the part of others: noninvasive actions are those which accomplish no such restriction.

To kill a man is to invade his liberty of action, as it completely cuts him off from the possibility of any action. To rob him invades his liberty, as it deprives him of the power of doing what he wants to do with his product. The robbery and murder on a grand scale, that are done by privilege, are equally invasive of liberty.

Privilege, indeed, is invasive action.

Evidently the actions to be prohibited are the invasive actions; and the actions to be permitted and defended are the noninvasive actions.

Complete individual liberty in social life means liberty to do anything that is not invasive of the liberty of others.

As phrased by Herbert Spencer, in *Social Statics*, liberty means "that each shall do whatever it may please him to do, provided he infringes not the equal liberty of others."

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The social organization of the future, then, will be an organization to defend liberty.

It must begin by offering its services, not by imposing them. The funds for its support it must obtain, not by taxation, but by voluntary subscription. It must offer to defend your liberty if you choose to pay for it; not compel you to be defended, whether you want to or not.

One case where this was done under present conditions happened to come under my observation. A small suburban settlement, too small to have even a village government, was exposed to the frequent depredations of burglars. An enterprising member established a private police force, and offered to protect houses from

Anybody outside the association could obtain a loan by pledging his possessions to the amount of the loan, plus an allowance for deterioration, according to the nature of the commodity pledged, plus an allowance for risk.

The notes of the bank would be redeemable, not in gold, but in any valuable commodity. Gold would no longer be the basis of the circulating paper currency; but all commodities would be available as a basis, that is, as security.

Thus, financial crises would be impossible.

At present, financial crises occur, chiefly because the paper currency is redeemable in gold only. There is never enough gold to redeem all the currency in circulation. Accordingly, when the supply of gold runs short, the security behind the notes is diminished, the loaning of notes is restricted or suspended, and the panic follows.

Paper currency has hitherto been regarded with suspicion, as insecure. Whenever any measures are proposed looking toward the relief of the people by increasing the volume of the present governmentally controlled currency, the newspapers enlarge upon the dangers of an inflated paper currency.

And with justice, as long as the redemption of the currency is possible with only a single commodity — gold.

But it is only under this condition that a paper currency is insecure. When not only gold but all commodities are available for the redemption of the paper currency, its volume is limited only by the value of all the wealth of the country, and it can never become insecure up to this limit.

There is another purpose served by gold under our present arrangements, in addition to its service as a basis or security, that is as a measure of value.

Referring again to Table I, at the back, it is evident that any one of the products therein mentioned might be used as a measure of the proportions or values of the others. In our discussions we have used the bushel of grain, but any other might have been used. If

gold had been listed among our typical products, gold also might have been used.

Just which commodity shall be so used, depends chiefly upon its comparative invariability in value. Hitherto gold has been used, ostensibly upon the ground that it varied less in value than any other commodity, although really, age-long custom has had a powerful influence upon the choice of gold.

There appears to be much doubt whether the value of gold is as invariable as it has been supposed to be. Jevons, a most conservative economist, asserts that wheat is more stable in value than gold; and, in recent years, the great increase in the cost of commodities generally has been plausibly interpreted as really a decline in the value of gold, owing to an enormously increased production.

Whatever commodity might be used as a measure of value, or as a unit of price, a phrase that seems preferable, it is evident that it could not be absolutely invariable. Some fluctuations must occur, however small. Nevertheless, although an invariable standard is unattainable, some standard is absolutely indispensable.

What the standard will be under free conditions it is impossible to predict. Experiment and experience are needed to decide the matter. It is not impossible that more than one standard or measure may be used; a statement that seems an absurdity on the face of it; yet the desirability and feasibility of a multiple standard, even under present conditions, is warmly defended by the well-known economist, Irving Fisher.

If such a multiple standard is feasible now, it would become much more so under free conditions, when speculative fluctuations would be largely eliminated, and all values would tend toward a stable and normal relation.

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All business men will realize the impetus to exchange, and indirectly to production, that such a change in the money system would give.

and again renting it; which means that government would become the supreme landlord.

Privilege can never overthrow privilege.

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We are compelled, therefore, to discard all governmental, that is to say, compulsory, modes of organization, in our search for some way of abolishing privilege.

Privilege, by its very nature, means restriction. A privilege to do certain things cannot be granted to one, without prohibiting or restricting others from doing the same thing. What we seek to do away with, therefore, is not privilege directly, but the restriction upon action of some, that results in privilege to others.

You cannot grant to one man the privilege of holding land out of use, without prohibiting others from using the land so held. You cannot grant to one man the privilege of offering current promissory notes, without prohibiting others from a similar act.

We are in search, then, of a system of social organization that shall prevent any one from restricting the acts of others; that shall insure to all freedom of individual action and freedom of contract with others, so that nothing shall be prohibited between individuals to which both parties consent.

Such freedom of action is what we mean when we speak of personal liberty; and in seeking a social organization that shall insure freedom of action, we seek for one that will uphold liberty.

Some form of social organization to defend liberty seems to be essential; otherwise the liberty of each individual would be at the mercy of any one stronger than he, or of any group of two or more who might unite to invade his liberty.

Moreover it is impossible for a man living with others to enjoy such absolute liberty as he might exercise, if he were the sole inhabitant of the world: he must make some concessions to harmonize his actions with those of others. Evidently the liberty that is to be defended is not the liberty to kill or rob.

office or expect, in some indirect way, to profit by the results of elections. Some of these develop into political leaders or "bosses", who are in touch with the rich clique behind the scenes, that puts up the money needed for mass meetings, processions, campaign literature and all the legitimate expenses of an election, as well as the illegitimate expenses, terminating in direct bribery of both voters and of elected officials and representatives.

All attempts to establish a collectivist Socialistic scheme of society by governmental methods, are predestined to failure: they are sure to become mired in the slough of politics.

For the same reason, all the palliatives that from time to time are advanced — minority representation, direct primaries, the referendum, the initiative and the recall — all are nugatory, and can give no permanent relief. People cannot devote the necessary time to public affairs, if they are to attend properly to their private affairs.

We are urged to be "good citizens," to take part in ward primaries, to vote at elections. It is impossible. Even at the elections of private clubs, as long as all runs smoothly, hardly one in ten of the members votes. If the management is not satisfactory, resignations pour in. But from the governmental club there is no possibility of resigning: we are forced to pay our dues, whether we like it or not.

Apart from such comparatively petty practical difficulties, the fundamental theoretical difficulty remains, that government, in all its forms, is based upon privilege — the privilege of taxation — and therefore cannot abolish privilege.

Even if we grant that all reforms are accomplished, that government has successfully overthrown the land privilege and the money privilege, we shall find that, in overthrowing these, we have but fortified the governmental privilege.

No governmental system of currency reform has ever been proposed that did not involve the monopoly of money by the government itself.

No scheme of land reform, not even the single tax proposition, can be carried out, without some plan for seizing abandoned land

The possibility of obtaining credit upon convertible assets of any kind will almost put an end to bankruptcy. For the reason that in most cases of bankruptcy, there are abundant assets to cover all claims, and the bankruptcy is, so to speak, merely fictitious, brought about by the impossibility of obtaining currency or credit.

Credit would become much more stable. The retailer, instead of giving his time note to the wholesaler, would give it to his local bank, which would be perfectly acquainted with his standing and solvency, and he would receive the bank's current notes in exchange for it, with which to pay the wholesaler. In the end, the use of time notes between individuals would be superseded by the use of currency for all exchanges; and time notes would be used only between the individual and the bank.

The dangers of an inflated paper currency, upon which arguments against such an extension of the credit system are often founded, are real enough when the only basis for redemption is gold; because, with the relative diminution of the stock of gold, the paper currency becomes less redeemable.

But when the currency is redeemable, not in gold alone, but in all kinds of products, the variation in the stock of gold can have no effect upon it.

Production, too, would be incredibly increased. Free land is of little avail to him who has not implements wherewith to work, nor subsistence until his product can be produced and sold.

With money available at the cost of its production, a man who had even no assets, but of good reputation, could get endorsements that would enable him to obtain currency wherewith to make a start, upon the strength of his future prospects, just as now the farmer obtains money or credit upon the strength of his yet unharvested crop.

Nor need there be any fear of a destructive convulsion to trade caused by the introduction of free money.

A convulsion would undoubtedly occur, if the change were sudden and general. But with the gradual establishment of free banks,

each one compelled to maintain its credit in order to do business at all, no convulsion could occur.

Gradually such free banks would associate, in order to support each other's credit, and, in the end, they would displace the present banks and inaugurate the new system, without any serious disturbance.

Nothing prevents the establishment of free banks but the governmental restrictions already recounted. There is little prospect that these restrictions will be relaxed, because in all nations, the bankers are the real power behind the government, and compel the maintenance of the restrictions that give them their devouring monopoly.

Such partial experiments as have been possible in the past, have proved abundantly successful.

The Massachusetts Land Bank, during Colonial times, prospered, and brought prosperity to the community, until it was forcibly suppressed by special act of Parliament.

The People's Bank, founded by Proudhon in the latter days of the French Revolution, flourished and grew, until it was forcibly suppressed by Bonaparte.

The event shows that they had not. Democracy has had its day; and has proved its total inability to abolish or even to control privilege. On the contrary, in this democratic country, privilege grows and overruns all limits, grasping everything in sight, ignoring all claims of reason and humanity, far beyond anything it has attempted under the old monarchical systems of Europe.

Behind each political party stands a group of rich men, who have been made rich by privilege, which secretly controls all political action. The great land owners — the railroads, and mining companies and oil companies — and, still more, the banking clique, which holds the money privilege, joined with the great manufacturers — the steel mills and woolen mills and cotton mills— which fatten on the tariff — all these have their representatives in every State legislature and in the Federal Congress, who see to it that no legislation is enacted hostile to their interests and privileges.

Without the permission of these men, not a candidate for office, from village constable to President, can be nominated, let alone elected. And if, by chance, a Liberal or Socialistic candidate slips past, he finds himself able to accomplish only petty reforms; he dares not, even if he were able, to strike at the foundations of privilege.

We boast that the majority can control, if it choose, through the ballot. Practically this is impossible. No man can give the time that is necessary to acquaint himself with the merits of the innumerable candidates, and have time left for carrying on his daily business. Often, too, it happens that the candidate of neither party is satisfactory, when voting for either becomes a farce.

Besides this, representative government is an impossibility in itself. No one man can represent another; still less can he represent a constituency of hundreds or thousands. He cannot know their collective interests, still less their individual interests. The result is that he devotes himself to what he does know — his own interests.

Thus the political control falls into the hands of men who make it their sole business — men who either hold office or hope to hold

LIBERTY

We have seen that privilege, in its various forms, is the engine by which industry is deprived of a large part of its product; and that, in order to permit the producer to retain his whole product, it is necessary that privilege should be abolished.

When privilege is abolished, and the worker retains all that he produces, then will come the powerful trend toward equality of material reward for labor that will produce substantial financial and social equality, instead of the mere political equality that now exists.

To bring about equality, it is unnecessary to use any artificial means for the distribution of products: it is only necessary to give free play to the natural forces that govern production and exchange.

And with equality will come fraternity: no longer the rich trampling on the poor; no longer prosperity for one, only at the price of impoverishment for the other; no longer the petty social strife for precedence.

Distinction and honor will be awarded to personal merit; as, even now, we honor an Agassiz, a Darwin, a Tolstoi and a Curie — names that will survive when all the famous financiers of the day are forgotten, or pilloried with those of buccaneers and assassins.

When the fathers of the American Republic had abolished titles of nobility, with primogeniture and entail, by which the land was given to the few; when they had established the rule of the majority and representative assemblies; they thought that they had abolished privilege.

TAXATION

Third in our enumeration, although primary in its nature, among the methods of obtaining a portion of the products of the community, without taking part in production, the oldest and simplest is taking what is desired by force.

This, when done by the upper classes, is called taxation.

In the monarchical military organizations of the past, the character of this privilege is easily seen. The tax was levied in the name of the king or war leader, to whom the natural subservience of human nature spontaneously rendered submission.

It was the king's army, the king's people, the king's taxes; and he who questioned the propriety of the royal prerogative of taking from his people without return or accounting, was reckoned, and felt himself to be, a criminal, guilty of the highest crime of disloyalty.

Such is still the attitude of the generality. To evade the customs tax, to "swear off" the income tax, is still felt by most people to be the immoral avoidance of a just claim, even though they permit themselves to be guilty of these delinquencies.

Although the form of society has been much modified, the industrial having begun to supplant the military, the nature of taxation remains the same. It is still the taking of other people's possessions without their agreement, even if with their tacit consent; that is to say, no opportunity is offered by which the payment may be withheld, on the ground that the services offered in return are not worth the amount demanded, or are not wanted at all, as would be done in ordinary mercantile transactions.

It is often said by reformers that government should be conducted upon business principles. This is impossible, because business rests upon doing its work well in return for what is freely given in payment; whereas government demands and takes its income, whether its work is well done or not, and whether it is wanted or not.

The distinction is ineffaceable.

The officials of a governmental organization, whether autocratic, constitutional or democratic, are in the position of those of a corporation of which the chief expenses are the salaries of the officials and employees, and the income is obtained by forcible levies.

It is impossible that an income so obtained should be expended as carefully and economically, and as much in the interest of those who pay it, as if it had to be obtained by offering a fair equivalent to taxpayers, and convincing them that the proposed bargain was to their advantage, leaving them free to accept or decline at their pleasure.

For this reason denunciation of governmental corruption is entirely futile, indeed, laughable to them who have once clearly comprehended the true state of affairs.

The functions fulfilled by government today are chiefly of a commercial character, yet the service given is remunerated, not by bargain and sale, but by forcible levy. It is inevitable that officials should use this force-collected income to secure their own continuance in office by conferring valuable privileges upon their supporters, who, in turn, use every effort to strengthen the government.

The fact of this co-operation is well known. Everybody knows that behind each political party stands a group of rich men, and that their influence over the votes which are to elect the officials is given in return for the continuance of the privileges by which their wealth has been created.

This power of taking money from the individual without his consent, is the fundamental privilege upon which all the others are based, and by which they are licensed. It stands upon no logical

at five persons, $375 per family. And this where the average income per family is less than $600.

So large, however, have become the interests of these railroads, and other franchise holding companies, that in political influence they stand alongside the holders of the money privilege and the beneficiaries of the tariff.

Special privileges are so clearly artificial that no argument is needed to prove the fact; while general privileges, because they are general, and are supposed to apply to all members of the community, conceal their character as privileges, and an entirely new standpoint and a complete revision of preconceived ideas are required to penetrate their true nature.

Hence also, at periods of popular questioning, as at present, it is always the special privileges that are the first objects of attack. Down with the monopolists! is the cry; but only the specially favored are meant; while the general privileges beneath — Taxation, Rent, and Interest — are permitted to pass in peace.

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It is hard to arrive at the exact amount taken by privilege: some rough approximation may be made.

The total taxation in the United States is placed, as has been stated, at about $2,500,000,000.

The interest on securities Wall Street places at about $1,000,000,000 annually. All other interests — on mortgages upon improvements, on notes, and the rent that is paid for buildings and other improvements — will be under the mark if we take it at twice that amount, say $2,000,000,000.

Ground rent proper, and interest upon mortgages upon land cannot be much less.

Thus we have:

Taxation $2,500,000,000.

Interest 3,000,000,000.

Rent 2,000,000,000.

Total $7,500,000,000.

Which, with a population of about 100,000,000, makes $75 per head, for each man, woman and baby; or, taking an average family

ground, but is the royal prerogative — the will of the prince — in the language of former days.

It will perhaps be thought that a tax imposed by a representative assembly loses the character of a forcible levy, and becomes practically a mercantile transaction. Brief consideration will show that this is not the case. Although the severity of taxation by an autocrat is much mitigated by constitutionalism, the principle remains the same. Taxes are no longer imposed by leasing the collection to a pacha or proconsul, and letting him plunder unchecked. Modern governments have learned the importance of keeping the goose in good health, that it may lay more golden eggs.

But the vote is useless against taxation. Whichever party wins, taxes go on, and must go on. It is not possible to vote for a representative who will oppose taxation, for it is from taxation that he gets his bread and butter.

The essence of economic exchange is the freedom of both parties to withhold consent to a bargain. Even if it could be shown that the equivalent given were fully equal to the assessment levied, it would still lack the freedom of choice of the individual to permit it to be ranked as a commercial transaction.

The total amount of taxation in the United States, including Federal, State, city, town, village, school and all other taxes, has been calculated at something like $2,500,000,000. With a population of about 100,000,000 this amounts to about $25 per head, or $125 per family.

Great as is this forced deduction from the products of the workers, the damage inflicted by taxation indirectly is still greater. First must be placed that caused by taxes upon imports. These restrict freedom of exchange in two ways; by limiting or preventing trade between the nations which impose them, and by fostering monopolies among producers.

When nations give up the last remnants of the military state of the past and become fully commercialized, these tariffs will be abolished, and production and exchange incalculably stimulated.

SPECIAL PRIVILEGES

Taxation, Land ownership, Money restriction — these we have described as the general tools by which products are taken from the producer by the privileged.

Besides these, there are special privileges granted to favored supporters by the clique of politicians called government, that, for the time being, holds the power of taxation. First among these is the tariff on imports, to which we have alluded.

Although primarily a form of taxation, a tax upon imported goods is incidentally a special benefit to certain individuals, and is often raised, for their advantage, to a point above that which would afford the largest revenue to the tax collecting power.

There is a certain point beyond which the rate of a tariff cannot be raised, without causing a diminution in imports more than sufficient to counteract the increased rate. So that the point of maximum revenue is not the highest rate, but at some point below that, at which the amount of imports multiplied by the rate of the tax gives the maximum product.

When a tariff is raised beyond this point, in addition to its character as a tax, it assumes another aspect as a special privilege, permitting the producers of the commodity that is taxed to charge a higher price than could be obtained if foreign goods were to be had in competition with it.

Another form of special privilege is that conferred by patents and copyrights.

As in the case of the land privilege, the effects of this are not, at first, conspicuous. Just as, at first, while population is sparse and all land is cheap, the power of the landlord is not felt, so, at first, the profits to the inventor or author seem wholly beneficent.

Later experience shows that the advantages to the inventor or author are usually small, but that to the holder of important patents, the privilege becomes the basis of excessive monopoly charges, as in the case of the telephone patents; while the copyright becomes the foundation of wealthy publishing houses, giving comparatively little advantage to author.

It is observed, too, that it is always the people who control the money wherewith an invention or a book is produced, who reap the great profit. Except in the case of novels of large sale, or of inventions of wide utility, and where the inventor or author unites the shrewdness of a money-maker with the genius of a creator — a rare combination — the money gain to the originator is seldom more than a fraction of the profit that the moneyed purchaser of the privilege is able to win.

Less extensive in profit producing power, but falling in the same class of privileges granted to a favored few, is the whole system of licenses and permits for the exercise of industry, from the street peddler's permit, for which he must pay five dollars, to the doctor's and lawyer's diplomas, ostensibly intended to exclude the incompetent, but really to limit the number and uphold the fees, of the professions.

These rank among the minor privileges, but there is one form of special privilege which will compare in magnitude with the greater general privileges — the public franchises that are granted to all sorts of concerns.

Often these are united with the land owning privilege in some form, as in the case of the franchises granted to railroads, which include a title to the land covered by the right of way; but, in some cases, the franchise includes no such title, as in the case of city railroads, or elevated or underground lines, which are merely special privileges to run vehicles on certain streets.