

PART II.

DESCRIPTIVE POLITICAL ECONOMY.

CHAPTER XXV.

SOCIALISM.

265. IN Part I we have made a statement of the principles of Political Economy ; in Part II we shall discuss some applications of these principles to questions of the day. There is a great difference between the two parts ; as great, in fact, as the difference between the work of the chemist and of the physician. The chemist experiments in his laboratory with gases and solids, combining and analyzing substances, discovering the properties of matter ; he discloses, perhaps, the action of an acid or an alkali. The physician, on the other hand, takes the results of the chemist's work, and, accepting the chemist's knowledge of the properties of various drugs and compounds, attempts an entirely different office : he attends a sick man, and he adapts the action of these drugs and compounds to the particular and special conditions of this individual disease. So, in our present chapters, we are in Part II acting as the physician. No longer occupied in educating principles, we are now concerned to see how social problems and economic questions can be treated with these principles.

We shall find, however, that other than economic considerations often enter into our decisions ; for we may quite as likely be desirous of finding the means of changing some conditions whose causes have been explained by our economic principles ; and thus moral or political influ-

ences may be taken into account. It should then be distinctly understood that, when we are discussing socialism, or free trade, or protection, we are not discussing the principles of political economy, but only **questions into whose solution economic principles enter.** The principles of political economy could be stated from beginning to end without ever mentioning the question of free trade or protection. The difference between Part I and Part II, in brief, is the difference between the study of principles and the study of their applications.

266. Before going further, however, we ought to understand what relations the State bears to economic principles. Some say that the State is a fundamental element in economic principles; but we can not admit this. The relation of the State to economic laws may be best shown by an illustration. If a teacher of physical geography were describing a river, he might say that it was a stream of water under the force of gravity flowing to the sea in a depression of the land; that it received water from tributaries which drained a large area about its sources; that when it rained much or when the snow melted, the river increased in volume, and by its properties as a river carried this added water down to the sea according to natural laws. But some might think it desirable to build dykes to confine the action of the river within certain limits, or jetties to carry its current in particular directions, or even to change its exit to another channel; and, although the course of the river might be changed by the dykes, the river with its natural force would remain in existence all the same, and would have to be looked out for. If its old course were blocked up, a new one would have to be found for it, or it would do great damage. In a similar way economic principles are related to the State. **The State is like the dykes which people build, and the economic principles are like the river.** These principles will go on in their action as expressions of the

causes and effects of things whatever may be done by the State. The State may modify the direction and scope of their action, and many reasons, political and moral, may be adduced to show why it should, but it can not change the nature of the principles themselves except by changing the conditions which brought them forth. A dyke may be a very necessary protection from the river sometimes, and so the action of the State may be necessary sometimes in order to protect the individual citizen in the enjoyment of his freedom and independence.

267. One of the questions about which many people are thinking is whether or not existing industrial conditions are right and just to all classes of persons in society. Distress and poverty are found next door to luxury and magnificence. The poor day-laborer jostles the millionaire on the street and wonders what reason there is why he works all the day long when the other man is luxuriating in leisure and comfort. As a remedy for this excessive difference, perhaps no one panacea is more generally discussed than an appeal to the State. Believing that when left to individual initiative the condition of the poor is hopeless, a class of persons advocate legislation by the State to remedy these evils. **This system of appealing to the State rather than to individual action is socialism.** The essence of socialism is **State-help** as opposed to **self-help.** If a man can not get on by himself, the State must, they think, do something for him by legislation; so that, whenever laws are passed interfering with industrial matters, we say of them that they are socialistic. This term may, therefore, apply to many things about which there is often little difference of opinion, as when the State regulates education, or makes roads, or cares for the insane; but it may also apply to the extreme proposals of agitators who desire the State to take charge of all the food, clothing, materials, machinery, and appliances of production, and manage all the industries of the nation

just as they manage the post-office or the minting of coins. It is in this last and extreme sense that people use the word socialism to-day, and in that sense we shall discuss it here.

268. We have in the United States justly heard a great deal about political equality; but recently there has been slipped in with it, as if the two were somehow connected, the doctrine of industrial equality. Much is now said about the right of the poor to a share in the accumulated wealth of the rich irrespective of the producing capacity of the persons compared. Every one wishes, of course, to see an advance in the comfort and well-being of the poor; but we are also obliged to consider whether moral justice is satisfied when A, who is a meager producer, claims a right to a part of what is produced by B, who is a capable producer. As regards their industrial capacities, Nature has not made all men equal. The fact that A's vote is as good as B's does not make him equal to B in the power to produce.

Still, while acknowledging industrial inequality, those who are capable are not freed from a responsibility to treat their poorer fellows rightly; but each man ought to be protected by the State in the enjoyment of the result of his own exertions. The very fact that men are differently constituted for industrial operations makes it evident that the State can not possibly treat them in masses, and it is equally impossible to treat each citizen individually. **It is quite out of the range of possibility that the State should know the industrial capacities of each individual,** and so arrange just the right work and wages for him. The State has tried in the past to tell the citizen what religion he should adopt, but that has been abandoned as a false and erroneous policy by most nations. So it must be in regard to any policy of interference with the individual activities of mankind. They must be left to work out an adjustment for themselves under the general protection of the State.

269. Socialism, or the reliance on the State for help, stands in antagonism to **self-help**, or the activity of the individual. That body of people certainly is the strongest and happiest in which each person is thinking for himself, is independent, self-respecting, self-confident, self-controlled, self-mastered. Whenever a man does a thing for himself he values it infinitely more than if it is done for him, and he is a better man for having done it. A saves \$1,000 and B inherits \$1,000. B loses all the discipline of character which A gained by going through the process of saving; he values his inherited money less than A does his hard-earned money. The man who hews out his own path gains power by so doing, and becomes self-reliant, sagacious, foresighted, and ready for further advance. Such a man knows that he can get nothing except by his own exertions, and as a consequence he exerts all his energies to accomplish his aim. He knows that two and two make four. He does not wait supinely for "something to turn up," but puts himself in a position where he needs no help.

If, on the other hand, men constantly hear it said that they are oppressed and down-trodden, deprived of their own, ground down by the rich, and that the State will set all things right for them in due time, what other effect can that teaching have on the character and energy of the ignorant than the complete destruction of all self-help? They begin to think that they can have commodities which they have not helped to produce. They begin to believe that two and two make five. It is for this reason that **socialistic teaching strikes at the root of individuality and independent character,** and lowers the self-respect of men who ought to be taught self-reliance. It is from such teaching that men have been led into the delusion of believing that by printing unlimited paper money or by coining millions of cheap silver dollars they shall somehow become rich. They do not realize that

every commodity requires labor and capital for its production (section 56), and that there is no other way to acquire wealth except by theft or robbery. Self-help leads to activity in production and healthy exertion; State-help tends to make all individual energy weak and flabby, because it teaches one to rely on an outside power.

270. When men are left to themselves, it is astonishing how much they accomplish by self-help. "Let any one propose to himself," says Dr. Whately, "the **problem of supplying with daily provisions of all kinds a city like London**, containing about 2,000,000 of inhabitants. . . . A failure in the supply even for a single day might produce the most frightful distress. . . . The city is also of vast extent—a province covered with houses—and it is essential that the supplies should be so distributed as to be brought almost to the doors of all the inhabitants. Again, the supply of provisions for an army or garrison is comparatively uniform in kind; but here the greatest possible variety is required suitable to the wants of the various classes of consumers. . . . Again, and above all, the daily supplies of each article must be so nicely adjusted to the stock from which it is drawn, to the scanty or abundant harvest, importation, or other source of supply, to the interval which must elapse before a fresh stock can be furnished, and to the probable abundance of the new supply, that as little distress as possible may be felt. . . .

"Now, let any one consider this problem in all its bearings, and then reflect on the anxious toil which such a task would impose on a board of the most experienced and intelligent commissaries, who, after all, could discharge their office but very inadequately. Yet this object is accomplished, far better than it could be by any effort of human wisdom, through the agency of men who think each of nothing beyond his own immediate interest. . . .

"It is really wonderful to consider with what ease and regularity this important end is accomplished, day after

day and year after year, through the sagacity and vigilance of private interest operating on the numerous class of wholesale and, more especially, retail dealers. . . . The apprehension, on the one hand, of not realizing all the profit he might, and, on the other, of having his goods left on his hands—these antagonist muscles regulate the extent of his dealings and the prices at which he buys and sells. An abundant supply causes him to lower his prices, and thus enables the public to enjoy that abundance, while he is guided only by the apprehension of being undersold. On the other hand, an actual or apprehended scarcity causes him to demand a higher price, or to keep back his goods in expectation of a rise. Thus **he cooperates, unknowingly, in conducting a system which no human wisdom directed to that end could have conducted so well**—the system by which this enormous population is fed from day to day."

271. "The office of the legislator," says Professor Bowen,* "is not, by his own superior wisdom, to chalk out a path for society to move in, but to remove all casual and unnatural impediments from that path which society instinctively chooses for itself. Human laws, if wisely framed, are seldom *mandatory*, or such as require an active obedience; they are mostly *prohibitory*, or designed to prevent such action on the part of the few as would impede or limit the healthful action of the many. . . . An individual may not erect a powder manufactory in the midst of a populous village, nor carry on any operations there which would poison the air with noxious exhalations. His neighbors would have a right to call out to him, 'Let us alone; you endanger our lives, and prevent us from pursuing our ordinary occupations in safety.'"

So that it may be impossible to draw a definite line beyond which the action of the State can never go. Some

* "American Political Economy," p. 18.

action may be healthful ; but that which results in an interference with private industries will generally be hurtful. Walking is regarded as a healthful exercise ; but, when walking is continued for successive days and nights for a week, it may be highly injurious to the bodily system. If the action of the State goes to the extreme of interfering with the growth of individual self-help, it is an injury. The danger of enervating results flowing from dependence on the State for help should cause us to **restrict the interference of legislation as far as possible** ; it should be permitted only when there is an absolute necessity, and even then it should be undertaken with hesitation. We should rather stimulate the individual to act for himself—in fact, self-help has been the characteristic of the Anglo-Saxon race, and it is intimately connected with the origin and success of local self-government. The right policy is a matter of supreme importance, and we should not like to see in our country the system of interference as exhibited in the paternal theory of government existing in France and Germany. The maxim, however, which urges the restriction of State activity should always be followed according to its spirit, and not according to its letter.

272. The socialists of the United States are mostly foreigners, and have divers beliefs, but these are commonly derived from the teachings of Carl Marx, Lasalle, or Proudhon, the originators of French and German socialism.* They claim that **"the means of work are the monopoly of the class of capitalists,"** and that consequently the laborers become the slaves of capitalists. Were the State to take charge of all the capital and to employ all the laborers, they think that the "iron law of wages" would be broken down and labor "emancipated."

Without capital labor can not be employed, and the

* See Rae, "Contemporary Socialism," and Ely, "French and German Socialism."

present employment of labor exists only because there are reasons for the saving of capital (see Chapter VII). Take away these reasons by giving the ownership of capital to the State, and there would be little or no saving and small means of employing labor. But, granting the existence of sufficient capital, there is no reason to suppose that the State would be able to conduct the processes of production with satisfaction to workingmen or to the varying needs of consumers (see section 270). The duty of adjusting demand and supply of goods now requires the best ability of the most active industrial managers in this civilized age. It is scarcely likely that men, elected to office, acting not for themselves, but for others, would display this extraordinary wisdom. Moreover, after all the difficulties of production might have been overcome, there would still remain the enormous responsibility of fixing upon **some theory of distribution.** Who shall decide how much A or B should have as wages? Shall each man have an equal share whether he is lazy or skillful? These are insuperable objections to any scheme of State control of labor and capital. "It must be acknowledged," says Mr. Mill,* a well-known friend of workingmen, and one inclined toward certain forms of socialism, "that those who would play this game [of State socialism] on the strength of their own private opinion, unconfirmed, as yet, by any experimental verification, must have a serene confidence in their own wisdom on the one hand, and a recklessness of people's sufferings on the other, which Robespierre and St. Just, hitherto the typical instances of those united attributes, scarcely came up to."

273. **Other forms † of socialism** have been tried which differ widely from State socialism. Such, for example, are the societies (existing within a State, and under its

* Chapters on Socialism, "Fortnightly Review," 1879.

† See Mill's "Political Economy" (Laughlin's ed.), pp. 165-171.

protection) established by St. Simon and Fourier in France, or those of the Economites in Pennsylvania, the Zoarites in Ohio, the Shakers, or the well-known experiment at Brook Farm in Massachusetts some years ago. In many of them the property is held in common by all the members, although some retain private property. While every member of the community is provided for by a minimum allowance, as in Fourierism, the produce is generally distributed in some way so that the more capable get more than the less capable. The great **difficulty with these schemes** has generally been in adapting each person's work to his capacity, and assigning a remuneration justly corresponding to his merits. There can be no objection whatever to permitting the trial of these experiments, because people go into them of their own free will. It is far otherwise with State socialism, where there would always be a large class of persons who would be forced into the experiment against their will.

CHAPTER XXVI.

TAXATION.

274. WHEN men form a State, they hand over to certain selected persons the duty of protecting life and property, and caring for the best interests of the citizens. In the United States we put this national power into the hands of Congress, the President, and the Courts. Whether it is intended that they should interfere much or little with the industries of our citizens, it is necessary, in either case, that the State should be provided with a **revenue** from which the expenses of carrying on the Government can be defrayed. For the years 1886, 1895, 1899, and 1900, the United States had the following expenses to meet :

[In millions and tenths of millions.]

Expenditures of United States.	1886.	1895.	1899.	1900.
Civil Expenses (including foreign intercourse, public buildings, District of Columbia, etc.)...	\$74.2	\$101.9	\$119.2	\$105.7
Indians	6.1	10.3	12.8	10.2
Pensions	63.4	141.2	139.4	140.9
War Department	34.3	54.6	229.8	134.8
Navy Department	13.9	31.7	63.9	55.9
Interest on the Public Debt	50.6	27.8	39.9	40.2
For Sinking Fund	44.5			
Total	\$287.0	\$367.5	\$605.0	\$487.7

It is manifest, therefore, that a State has many expenses to meet, and that taxes should exist in order to raise the money necessary to cover these expenses.