ference upon what subjects duties are laid, what is the severity of the imposition, and at what stage of production or exchange the contribution is exacted. It is not, it never can be, a matter of indifference when, where, and how taxes are imposed. "The ability to evade taxation," writes M. Say, "is infinitely varied, according to the form of assessment and the position of each individual in the social system. Nay, more, it varies at different times. There are few things so unsteady and fluctuating as the ratio of the pressure of taxation upon each class, by turns, in the community."

608. M. Say's Views.—It has always seemed to me strange that J. B. Say should be cited, as he so often is, as an authority on the side of the Diffusion-theory of taxation. Not only in the paragraph from which I have quoted does he recognize the vital importance of the right "seating" of taxes; but in his references to the essay of Canard, which had been crowned by the Academy (1802), he is even more pronounced. Canard had said that it is of little importance whether a tax press upon one branch of revenue or another, provided it be of long standing, because every tax in the end affects every class of revenue proportionally, as bleeding in the arm reduces the circulating blood in every portion of the human frame. To this M. Say rejoins that the object taken for comparison has no analogy with taxation. The wealth of society is not a fluid, tending continually to a level. It is, the rather, an organism, like a tree or a man, no part of which can be lopped off without permanently disfiguring and crippling the whole.

609. M. de Parieu's Views.—M. de Parieu has given a chapter of his great work to the Incidence of Taxation. In respect to what he calls taxes levied upon the conditions of every human existence, he reaches the result that they have effects very obscure, and in a still greater degree subject to dispute. Where taxes are levied in cities upon the necessaries of life, he finds no considerable danger of evil effects, since there is a constant intercommunication between the laborers of towns and those of rural districts, and migration will soon restore the equilibrium after the disturbance created by the new impost. It is otherwise when a new tax is imposed

throughout the whole extent of a country. The emigration of laborers to foreign parts is only accomplished against a certain resistance, arising out of their habitudes and affections. It is always, moreover, accomplished at a definite loss and an indefinite risk. To throw taxes on consumption back upon the capitalist or the employer becomes, in M. de Parieu's judgment, a task very difficult and often wholly impracticable.

610. Conclusion.—I reach the conclusion that, in a condition of imperfect competition, we have no assurance that indirect taxes will be diffused equably over the whole community, leaving each class and each individual in the same relative condition as before the imposition. Something less, it may be much less, than a proportional contribution must result from the differing strength and opportunities of the several classes and individuals. The legislator can not, then, adopt the comfortable doctrine of the indifference of the place and the person where and on whom the burden shall be laid. His responsibility abides for the ultimate effects of the taxes he imposes. Whether with reference to the equities of contribution or to the general interests of trade and production, he is bound carefully to consider the nature and probable tendencies of every projected impost.

XVII.

PROTECTION VS. FREEDOM OF PRODUCTION.

611. The Doctrine of Laissez-Faire.—The question of Protection, as against Freedom of Production—not, as it is commonly stated, against Freedom of Trade—is rarely discussed, on both sides, upon purely economic principles; perhaps has never been, in an actual instance, decided without the intermixture of political or social considerations.

The arguments of those who have favored the policy of so far limiting the territorial division of labor (see par. 83), as to constitute industrial entities corresponding to existing political entities (which I take to be the real intent of what is called Protection) have been of every degree of vagueness;

but it seems to me that the confusion of the public mind need not have existed, at least to so great an extent, had not the professional economists taken an unjustifiably lofty attitude on this subject, practically refusing to argue the question at all as one of national expediency, contenting themselves with occupying the high ground of *Laissez-Faire.*

Now, that doctrine, although established by the older economists to their own satisfaction, as containing a principle of universal application, and thus deemed by them a conclusive answer to all arguments specially directed to justify restrictions upon international trade, has never been accepted, in the fullness of significance by them given it, throughout any wide constituency, not by any large proportion of the educated classes, not even generally by publicists, or statesmen, or men of affairs.

612. Opposition of the Economists to Factory Legislation.—Thus, when factory legislation was first proposed in England, nearly the whole body of professional economists opposed any interference with the freedom of contract respecting labor. They asserted the entire competence of the laboring classes to protect their own interests. They declared that interference on behalf of the laboring classes could only be mischievous, in the long run, to the laborers themselves. They put themselves on record in the most formal manner against all measures of restriction upon factory and workshop labor. They cast in their lot with the opposition to this class of legislation, and staked the reputation and influence of political economy upon their being right in this matter.

Had they won upon that issue; had the results of the factory acts been proven deleterious to the interests of the working classes themselves, or even to the industrial power of the kingdom, it would have been a rare triumph for the economists, and their influence would have been greatly strengthened. But it did not turn out so. Although in the first instance, that of the act of 1802, Sir Robert Peel, the elder, had been so solicitous not to violate the principle of the self-sufficiency of labor that he made the bill apply only to apprentices, the wards of the state, the political rightfulness and the

economic expediency of regulating the contract for labor so grew upon the public mind of England, that act after act extended the supervision of the state over factory and workshop until the policy of restriction had vindicated itself to the complete satisfaction of the working-classes, even, in the main, of the master class, themselves, and of the statesmen of the kingdom and publicists almost without exception.

613. Freedom the Rule: Restraint the Exception.—The fact that in the controversy over the factory acts the economists of the *laissez-faire** school are proved to have been in the wrong, does not show, or go to show, that they are wrong in their opposition to laws in restraint of international commerce. It does not even create a presumption to that effect.

Although the necessity of making exceptions to the rule of freedom of individual action has been established as completely in respect to industry as in respect to politics, freedom of action is yet so far the condition of health and power and growth in the field alike of politics and of industry, that those who propose to make exceptions in either are bound to show cause for every such exception. A heavy burden of proof rests upon them. Their case is to be made, and made against a powerful presumption in favor of liberty, as that condition which hath the promise not only of that which now is, but, in a higher degree, of that which is to come. There is not and

* "Now I beg you to remark the strange assumptions that underlie this reasoning. Human interests are naturally harmonious; therefore we have only to leave people free, and social harmony must result; as if it were an obvious thing that people knew their interests in the sense in which they coincide with the interests of others, and that, knowing them, they must follow them; as if there were no such things in the world as passion, prejudice, custom, *esprit de corps*, class interest, to draw people aside from the pursuit of their interests in the largest and highest sense. Nothing is easier than to show that people follow their interest, in the sense in which they understand their interest. But between this and following their interest in the sense in which it is coincident with that of other people, a chasm yawns. *That chasm in the argument of the laissez-faire school has never been bridged. The advocates of the doctrine shut their eyes and leap over it.*"—Prof. John E. Cairnes.

there can never be any positive virtue in restraint. Its only office for good is to prevent waste and save the misdirection of energy. There is no life in it, and no force can come out of it.

That which is called "protection" operates only by restraint; it has and can have neither creative power nor healing efficacy. All the energy that is to produce wealth exists before it and without respect to it; and just to the extent to which protection operates at all, it operates by impairing that energy, and reducing the sum of wealth that might be produced if protection did not exist.

I say, that might be produced, not that *would* be produced. The latter point may fairly be disputed between the free-trader, who should rather be called the free-producer, and the advocate of the system of restricted production. The force of the steam at the piston-head is less than the force of the steam in the boiler, less by all that is necessary to conduct it thither from the boiler; yet it is the force of the steam at the piston-head, and not where it is generated, which moves the wheels of the engine. The harness hampers the movements of the horse; but it is the harnessed horse that draws the load. Discipline operates directly to reduce the sum of the impulses by which soldiers are actuated, and, by consequence to reduce their individual energy; but a disciplined army will defeat a mob of many times its own numbers.

614. What the Protectionist Has to Prove.—If the protectionist can show that restraints imposed by law upon the industrial action of his countrymen, or the men of any country he chooses to take for the purposes of the debate, have the effect, not, indeed, to generate productive force, but to direct the productive force generated by human wants setting in motion human labor with a better actual result* than under

*Much as I admire the pithiness and vigor of Prof. Sumner's argument before the Tariff Commission, in 1883, I can not but think that he unduly disparages the losses to production which occur under the regime of free-exchange. I have in another place (pars. 99–109, and again 236 to 243) adduced considerations which seem to me to justify a very serious view of the extent and importance of these losses. Let the protectionist, if he can, show good grounds for believing that under the system he proposes there would be a better outcome.

the rule of freedom, he will make his case. But this is to be proved, not taken for granted; and it is to be proved only by sound and serious argument, not by strenuous assertion and senseless clamor.

615. Why Should Industrial Correspond to Political Entities?—In proceeding to establish the importance of checking the extension of the territorial division of labor at the boundary lines of nationalities, the protectionist writers have been seriously embarrassed from the lack of reasons to give why industrial entities ought to correspond to political entities. Had they undertaken to show that every million or five millions of people might advantageously be organized into a separate industrial entity, having either no commercial intercourse at all with communities on the outside, or a commercial intercourse much reduced and retarded; or had the protectionist writers undertaken to show that every ten or twenty square degrees upon the earth's surface, whatever the number of inhabitants, should become an industrial entity, trade within the limiting parallels and meridians being unrestrained and even encouraged, while trade across those lines should be deemed in a higher or lower degree mischievous; or had these writers undertaken to show that every important river basin or drainage system should be constituted an industrial entity, in as great a degree as possible independent of others, they would have had a much less difficult task. A good deal might be said upon the theme that the world-wide extension of the principle of the division of labor needs to be crossed and checked by artificial obstructions to prevent certain economic and social evils.

We have shown (par. 227 to 243) that grave industrial mischiefs may originate in this principle, though which producer and consumer are set apart, often by a vast distance, sometimes by half the circumference of the globe; that misunderstandings may arise between producer and consumer which will result in a smaller production of wealth, a lower satisfaction of human wants, and that these misunderstandings are sometimes aggravated by suspicion or panic with the most deplorable consequences. The fact is incontestable, and it would be easy to exaggerate its importance.

But when the attempt is to prove that the principle of the division of labor should be allowed to extend itself freely within the bounds of nationality but not beyond them, additional difficulties of a grave character are encountered at the outset, in the great and, from the economic point of view, unaccountable irregularity and whimsicalness with which the surface of the earth is divided among independent sovereignties. One nation comprises two millions of inhabitants, like Denmark, Greece or Chili; another ten, like Mexico, Brazil or Siam; another thirty, like Italy or Japan; another sixty, like the United States; another eighty, like Russia; another three hundred and fifty, like China. The territory occupied by one nation crosses and includes two, three or five great river systems; in other cases, one river system embraces the territory of two, three or five nations. A stream which a boy can wade may form the dividing line of two independent states; a third state may collect its revenues across the Atlantic and the Pacific oceans, and its magistracy send their warrants alike to Hudson's Bay and into the South Sea. One people may stretch from North to South across sixty degrees of latitude; another from East to West, through half the daily journey of the sun. One country may be occupied by a population as homogeneous as the inhabitants of some old city; while under the same flag, and subject to the same laws, may live the representatives of many races: some dressed in the latest Paris fashion, others tattooed upon the naked skin; some using the telephone, others the assegai; some finding their choicest amusement in the Wagnerian opera, others in the war dance that opens the feast of human flesh.

616. The United States as an Instance.—It will readily appear that the protectionist writers have a difficult task in establishing the necessity of drawing the lines of industrial circumvallation along the boundaries of empire.

Take the United States for example. Here are thirty-eight states trading among themselves with the utmost activity, the exchange of commodities and services being as free as the movements of the air; and in this freedom all good citizens

rejoice.* But this condition of things is made, by the doctrine under examination, to be dependent entirely upon the political relations of these states. Were they under different governments, the exchange of commodities and services which now promotes the general wealth and the general welfare would be fraught with mischief and possible ruin.

It is, of course, possible that some new analysis of the conditions of production may yet disclose the law which thus makes trade within the limits of sovereignty beneficial, and trade across the boundaries of separate states deleterious to one or both parties; but thus far assertion coupled with vituperation has taken the place of the analysis required.

617. Protecting the Strong against the Weak.—In the old world, the argument for protection is based on the importance of protecting the industrially weak against the industrially strong; and I am not certain that something might not be said for this. Russia strives to protect her labor against the better paid labor of Germany; Germany, in turn, strives to protect her labor against the vastly better paid labor of England. Among all fully settled countries, the rule, without exception so far as I am aware, is that that country in which the higher wages are paid offers its products at lower prices than the

* "If it be asserted that states which pursue different industries can not afford to trade freely with one another, here we have them, New York and Pennsylvania, Massachusetts and Minnesota, Maine and Louisiana. If it be asserted that states with like industries can not afford to trade freely with one another, here we have them, Indiana and Illinois, Iowa and Minnesota, Massachusetts and Rhode Island, Alabama and Mississippi. If it be said that small states can not afford to trade freely with great empires, here are New York and Connecticut, Pennsylvania and Delaware. Why do not the great states suck the life out of the small ones? If it be said that new states, with little capital, and on the first stage of culture, can not afford to exchange freely with old states having large capital and advanced social organization, here are New York and Oregon, Massachusetts and Idaho. How can any territories ever grow into states under the pressure? If it be said that a state which relies on one industry can not afford to exchange freely with one which has a diversified industry, here are Pennsylvania and Colorado, California and Nevada, any of the cotton states and any of the Northeastern states."—*W. G. Sumner, "Protection in the United States."*

competing products of countries where the lower wages are paid.

In the United States, however, the argument for protection has based itself on the assumed necessity of protecting the strong against the weak. In Australia and Canada it is the same. It is alleged to be essential to the maintenance of the high wages prevailing in these countries, that the products of the "pauper labor of Europe" shall not be sold freely in their markets.

Why is it that the plea of those who desire to check the extension of the division of labor on the lines of nationality, suddenly changes as they pass from old and fully settled countries, to countries but recently, and perhaps still but partially, occupied and cultivated?

618. Why Wages are High in New Countries.—The explanation is found in the fact that the populations of what we call "new countries," that is, countries where an inadequate population is applying progressively to fresh fields advanced methods and machinery, possess an immense advantage in the conditions of living over the populations of "old countries," where the land has long been fully occupied, where the capabilities of the soil, even on fields of small natural productiveness, are heavily taxed to furnish subsistence to the inhabitants, and where systematic, continuous manuring has to be practiced in order to keep the land in condition.

The enomous profit of cultivating a virgin soil without the need of artificial fertilization, and the abundance of food and other necessaries of life enjoyed by the agricultural class have tended continually to disparage mechanical industries in the eyes alike of the American capitalist and of the American laborer.

619. The Competition of the Farm with the Shop.—It has been the competition of the farm with the shop which has, from the first, most effectually retarded the growth of manufactures in the United States. A population which is privileged to live upon a virgin soil, cultivating only the choicest fields and cropping these through a succession of years without returning any thing to the land, can live in plenty. If that

population possess the added advantage of great skill in the use of tools and great adroitness in meeting the large and the little exigencies of the occupation and cultivation of the soil, the fruits of agriculture will still further be greatly increased. The dietary of an American farmer, cultivating his own land with the aid of his growing sons, would amaze a peasant from any portion of Europe. An abundance of nutritious food is and has been, ever since the revolutionary period, the sure condition of the life of the agriculturist in the United States. It was not with our fathers, even in New England, a struggle for the necessaries of life, but for social decencies and what, in any old country, would have been called luxuries.

Now, the mode of living on the part of the agricultural population has necessarily set a minimum standard of wages for mechanical labor. With an abundance of cheap land, with a population facile to the last degree in making change of avocation and of residence, few able-bodied men are likely to be drawn into factories and shops on terms which imply a meaner subsistence than that secured in the cultivation of the soil.

620. The Hand Trades.—There are certain classes of mechanical pursuits, however, which, by their nature, secure to those who follow them a minimum remuneration fully up to the standard of the agricultural wages of the region. Such, for instance, are the trades of carpenter, blacksmith and mason, in which the work is of a kind which can only be done upon the spot. The house can not be built abroad and imported for the farmer's use; the wagon must be mended near the place where it broke down; the horse must be shod, the tools sharpened, by the artisans of the neighborhood. If, then, the farmer will have such services performed, he must admit those who perform them to share his own abundance; he must pay wages or prices which will attract men, and those, by necessity, men exceptionally intelligent and skillful, into those trades. Hence we find the mason, the blacksmith, the plumber, the carpenter, the house painter, the cobbler, in every part of the United States, receiving wages which bear no relation whatever to the wages paid for the same class of services in other

countries, but which stand in a very exact relation to the rewards of agricultural labor here.

Nor has it ever been found necessary to encourage or stimulate these trades for the good of the country. What statesman ever introduced into Congress a bill intended to increase the number of carpenters or blacksmiths, or to enhance their wages?

621. Personal and Professional Service.—But, again, there are certain classes of services, of a personal or professional nature, which have also secured for those rendering them a participation in the abundance enjoyed by the tillers of the soil in the same region. The remuneration received by the members of these classes, whether called the wages of domestic servants, or the fees of physicians and lawyers, or the salaries of schoolmasters and clergymen, or the profits of retail trade, has been out of all relation to the remuneration of similar services in other countries, and has amounted to just what I have termed it, *a participation in the abundance enjoyed by the agricultural population.* Since these services could only be performed upon the spot, the agriculturists have been obliged, if they would have the services rendered, to pay for them, out of the large surplus of their own produce, at least enough to make these professions and avocations equally desirable with their own, uncertainty of result, loss of time in preparation, expense of education and training, healthfulness and agreeableness of work, etc., being taken into account; and, since the agricultural classes have desired that these services should be performed, and have been willing to pay for them on the scale indicated, there has never been any call for Congressional action to secure the requisite number of lawyers, physicians, clergymen, schoolmasters, domestic servants or retail tradesmen.

622. The Factory Industries.—But now we note that there are still other important classes of services to be rendered, respecting which the rule changes. The remuneration of the persons rendering these services no longer has reference to the abundance of agricultural production in the several sections of the United States; is no longer irrespective of the

remuneration of similar classes elsewhere. These persons are not, necessarily, admitted to a participation in the fruits of American agriculture.

The services referred to are such as can be performed without respect to the location of the consumer of the product. They are nearly identical with what we call, in the technical sense of the term, manufactures.

Whenever the American farmer wants a pane of glass set, or a pair of boots mended, or a horse shod, he must pay some one, his neighbor, enough for doing the job to keep him in his trade and to keep him out of agriculture, in the face of the great advantages of tilling the soil in New York, or Ohio or Dakota, or wherever else the farmer in question may live; but how much he shall pay the man who makes the pane of glass, or the pair of boots, or the set of horseshoes, will depend upon the advantages of tilling the soil, not where he himself lives, but where the maker of the horseshoes, the boots, or the glass may live.

If he will have the work done he must pay some one, somewhere, enough to keep him in his trade and out of agriculture; but not necessarily out of New York agriculture, or Ohio agriculture, or Dakota agriculture; but, perhaps, out of English agriculture, or French agriculture, or Norwegian agriculture, under the the requirements of constant fertilization, deep plowing and thorough drainage, and subject to that stringent necessity which economists express by the term, "the law of Diminishing Returns."

Now, to offset and overcome the inducements to engage in agriculture, even in Merry England, is a different thing, a very different thing, from keeping a man in his trade and out of agriculture in the United States.

The American agriculturist, having large quantities of grain and meat, of cotton and tobacco, left on his hands, after providing ample subsistence for his family, and even after hiring the carpenter, mason and blacksmith, the schoolmaster, lawyer and doctor, for as much time as he requires their respective services, and still further, after putting a good deal into farm implements and increase of stock, is desirous of

obtaining with the remainder sundry articles more or less necessary to health, comfort and decency. To him it makes no difference whether the articles he requires are made on one side of the Atlantic or on the other; but it makes a great difference what he is obliged to pay for them; how much of his surplus grain and meat, tobacco and cotton must go to secure a certain definite satisfaction of his urgent and oft-recurring wants. If he must needs pay some one to stay out of American agriculture and do this work, his surplus will not go so far as if he were allowed to pay some one to stay out of English agriculture to do it.

623. What the State Can Do.—But here the State enters and declares that it is socially or politically necessary that these articles, these nails, these horseshoes, this cotton or woolen cloth, or what not, shall be made on this side of the Atlantic. That necessity the agriculturist, as consumer, can not be expected to feel; he does not care where the things were made; he only wants them to use. He does not care who makes them; he does not even care whether they are made at all; they would answer his purpose just as well were they the gratuitous gifts of nature, spontaneous fruits of the soil, or the sea, or the sky. Whatever his own economic theories may be, he will, as purchaser, every time select the cheapest article which will precisely answer his need. He will not, of his own motion, pay more for an article because it is made on his side of the Atlantic than he could get an equally good article for, bearing the brand of Sheffield or Birmingham or Manchester. But if the State says he must, he must; and consequently the American maker of this article is by force of law admitted to a participation in the abundance enjoyed by the American agricultural class. The tiller of the soil is now compelled, by the ordinance of the State, to share his bread and meat with the maker of nails or of horseshoes, of cotton or of woolen cloth, just as he was before compelled by the ordinance of Nature to share his bread and meat with the blacksmith, carpenter and mason, the schoolmaster, lawyer and doctor.

It is perfectly true, therefore, as the protectionist asserts, that a tariff of customs duties upon foreign goods imported into new countries tends to create and maintain high rates of wages in the factory industries. But for protective duties, those articles which, in their nature, can be readily and cheaply transported will be produced predominantly in countries where the minimum standard of mechanical wages is set by agricultural conditions far less favorable than those which obtain in the United States, in Canada, or in Australia.

But while the law thus can and does create high rates of wages in factory industries, it does not and it can not create the wealth out of which that excess of manufacturing wages over those of older countries is paid. That wealth is created by the labor and capital employed in the cultivation of the soil.

XVIII.

SOCIALISM.

624. Difficulty of Defining Socialism.—It is not easy to define the word socialism, for the purposes either of controversy or of description. It is, perhaps, impossible to give a definition which shall be satisfactory to all. One man invidiously calls another a socialist, only to receive the same appellation himself from a third person differing from him in political opinion. Let us, however, do the best we can, in the confusion which prevails on this subject, to characterize socialism.

We find that term applied to a great variety of political schemes, in all of which is present one quality, in higher or lower degree. This quality is the essence of socialism; and, as it is found more and more fully developed, the socialist character of any political scheme becomes more and more distinctly pronounced. We may apply the term, socialistic, to this quality.

625. Meaning of the Word Socialistic.—What then does the word socialistic signify? I answer, it is properly applied to an unconscious tendency or a conscious purpose to extend