

Tonight our talk will be a rather disconnected one. In our next lesson we will take up the discussion of that which we believe to be the true remedy for our economic troubles, but before doing this, it would seem wise to spend one session in discussing a few of the different things which are often suggested as remedies for our present poverty, low wages and unemployment. We can now discuss but a few of these--those which commonly receive the most attention, and can consider only the high lights of these. It would be possible and profitable to discuss each one of these subjects much more at length if opportunity offers.

DIFFUSION OF EDUCATION, and Improved Habits of Thrift and Industry.

First let us speak of the individual problem. We sometimes hear it contended that if a man be poor it is largely his own fault; if he would be more thrifty, or more industrious, or if he would study and prepare himself for a better job, many a man who is now poor could make of himself a success. There may be some truth in this statement when applied to particular cases but anyone who hopes by this method to raise wages generally will be sadly disappointed.

In order to see how much value there is in this contention we must remember that as soon as land has acquired any value at all; wages do not depend upon what a man produces, but only upon what is left to labor after rent has been taken out; and when land is all taken up, as it is today everywhere except in remote parts of the world, the constantly increased rent must drive wages down to a point at which the poorest paid class will be just able to live and reproduce. This increasing rent will force wages down to the minimum, - a point fixed by what is called the standard of comfort, - that is the amount of necessities and comforts which habits lead the working man in any particular community to demand.

If this be true, then no education, or industry, or things of this nature can raise the wages of any individual, unless he has more of these qualities than has the average man in his class. If a man has a better education, or if he is willing to work longer or harder, or more carefully, or more industriously, than his fellows, then he will be better able to get and to keep a job than they and he may be able to command a higher wage than his fellows. (A man who does more work for the same money than his fellows has reduced his own wages, measured by exertion expended). But if the average man were to raise his own education, or increase his exertions until they equalled those of this exceptional man; then this higher standard would become the average, and this increased education or industry would be demanded of every one in order to keep a job at all, and the wages paid would not be those paid exceptional men but only the wages paid for average men. He who would like to be paid more than the average man must get a still better education, or work harder still. To illustrate: A few generations ago the man who could read and write was the exception, and because of this he commanded better than average wages; but now, when practically all men can read and write, this knowledge brings no premium. If a man is not thus equipped he can hardly get a job at all.

As for exercising greater thrift; it is true that any individual who saves and spends his savings carefully, will be able to make his wages go farther after he gets them than if he does not. Illustrations abound where of two individuals, each receiving the same wages,

one is always in debt, while the other may be able to live well, because of careful planning, but here again it is true that if the average man should learn to plan his spending so that he could live as well as the exceptional man, then the wages of them all would be reduced. Men out of work bidding against each other for jobs will keep pushing wages down to the bare level of subsistence, and if men in this or any other country should learn to live on as little as does the Chinese coolie their wages would decline to the level of his regardless of their education or industry or thrift. Even if a new machine or method should make it possible for them to produce more, this extra production would eventually raise land values and not wages.

It is by no means suggested that education, and industry and thrift are bad for the individual; they are necessities for the building of human character; I only wish to point out that increased education, increased industry or increased thrift, on the part of the whole population could not raise wages in general, so long as one man must bid against another in order to get a job. But when the time comes that each man has an equal opportunity with his fellows to make a living, --when there are more jobs than men, -- then a man's knowledge, skill and industry will measure his success. In that time, if every man should increase his education, his industry and his thrift up to that of the exceptional man, there would be no lowering of wages, because there would be no bidding of men against each other in order to get jobs, and everyone would benefit. It is the fact that men must bid against each other for jobs that pulls wages down.

Rather than deprecating education, we believe that our only hope for advancement of the race, must lie in increased education. Only education will enable people to discover the cause and help them to apply the remedy, for our unjust distribution of wealth.

T A R I F F S

One of the questions much in the public mind, is the tariff. Tariffs are taxes imposed upon things bought from, or sold to, the people of another country, -- tariffs are taxes imposed upon trade with other countries.

Why should one country wish to trade with another? Always man is trying to satisfy his desires, -- to produce wealth with the least possible exertion, -- and the only motive anyone has for trading with other individuals at home or in another country is in that way, to get goods cheaper (that is with the expenditure of less exertion), than would be possible if he made these things for himself.

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If, in some foreign country because of the soil, or the climate or economic conditions or for any other reason it is possible to produce some article of commerce more cheaply than we can produce it here, it would seem logical to believe that it would be to our advantage to buy that thing in that country rather than to make it or to raise it, for ourselves. And if at the same time we sell to the people of that country something which we can produce more cheaply than they, both parties would be benefitted, because by making the exchange, the wealth of both countries would be increased.

All of this seems so logical as only to need stating to be recognized and yet, whenever foreign markets are discussed, most of our newspapers, most of our politicians, and the great majority of our people take the attitude that for some indefinable reason people will find it to

their advantage to send things away from their country, but that it will be to their disadvantage to bring things into the country; - that it is better for a people to make all of the things they need, in their own country at no matter what cost rather than to buy, outside their country, the things which thereby can be gotten more cheaply--that the foreigner who sends us the things we want, things which he can make cheaper than we can make them, is in that way doing us some kind of harm:--that to buy things made by cheap labor, as in Japan for instance, must bring American wages down to the Japanese level. A little careful thought will show us that every one of these ideas is false.

This belief that it is somehow hurtful to us to buy from another country is so persistent in the mind of the average man that in order to keep foreign goods out of our country we place an import duty on them. Some people believe that this import duty will raise wages and will increase employment here, and many even feel that if all tariffs were abolished, disaster of some kind would certainly follow for our working men and for business in general.

Let us see: The effect in fact, the object, of a tariff on any commodity is to so raise the price of that commodity that it can no longer be brought from abroad and sold here cheaper than it can be made and sold here; the argument being that preventing people from buying abroad will force them to buy at home; this will stimulate home industries, more men will be employed here, and wages kept up, - some people even content that they will be forced higher.

But, we have seen that wages are not fixed by import duties; wages are fixed by the margin of cultivation, or, if there be no more free land, then wages will be fixed by the subsistence level in any country, and neither the margin of cultivation nor the subsistence level in any country will be changed by the fact of that country having a high tariff or a low tariff or no tariff at all. As a matter of fact, a very little investigation would show anyone that wages are no higher in those industries which are protected by tariffs than in those industries which are not so protected. This country admits bananas without any tariff, but lemons carry quite a high tariff. If you will go to a commission house in New York which specializes in importing bananas and into another commission house, across the street which imports lemons, you will find that the wages for the same work are the same in both places. Much of the sugar which we buy in Cuba is sent to this country to be refined; if you go to a refinery which handles Cuban sugar, which carries a high tariff, you will find that the wages there are the same as in another refinery which handles sugar raised in Louisiana, which of course, carries no tariff, neither a tariff nor increase in tariff will raise any wages in the protected industries, nor will they raise wages in general nor does a lowering of tariffs reduce wages.

The price of goods are raised by tariffs, - that is the intention of the tariff; but any increase in the price of goods without a similar increase at the same time in wages, only reduces the amount of goods which these wages will buy. Instead of raising wages then, tariffs only succeed in lowering the standard of living.

Nor do tariffs in any country increase the amount of employment there, as a matter of fact tariffs decrease employment, because as is evident, any increase in the cost of goods, lessens the demand for those goods, - the higher the tariff, the higher the cost of goods affected by the tariff, this decreases the amount of goods bought, and this of course decreases the employment needed to make those goods.

Disinterested people, who sometimes urge the imposition of a tariff in order to make it possible to start a new business in this country seem to believe that the starting of a new business will open new opportunities to Labor here, and that these men would need to be idle if this business were not started. These people, in their arguments, ignore entirely the fact that goods which are purchased abroad are paid for with goods made here, and the more goods we purchase abroad the more goods we will need to make here to pay for these foreign goods. If, without a tariff, it is possible to purchase goods abroad cheaper than they can be purchased here, then this cheaper price will stimulate the purchase of more of these goods than would otherwise be bought. Increased purchases abroad then, stimulate increased employment here. People who advocate what they call a protective tariff, fail utterly to grasp the idea that the more things we buy abroad, the more we will need to keep our farmers and our miners, our factory workers and others busy making goods to pay for these things bought from abroad.

(A few years ago when we admitted Cuban sugar practically free, the amount of our exports to Cuba were about \$500,000,000 each year (\$515,209,000 in 1920). Now that we have a high tariff on Cuban sugar, these exports amount to less than \$100,000,000 (\$25,093,000 in 1933). And the people who produced the other \$400,000,000. of goods which we formerly sent to Cuba, must find other work, or be out of work. World Almanac figures)

The effect of tariffs then is to make conditions worse for the average man, by raising the cost of the things he must buy without raising his wages to buy them with, and then by decreasing his standard of living. Then too, as before stated, tariff lessens a man's chance of getting employment because the less the amount of goods used the less the number of jobs open to make these goods.

Do tariffs benefit the business man? Not in the least unless that business man has a monopoly of the thing upon which the tariff is placed. The chief benefits of all tariffs go to those who own the land. As an illustration: There are certain lands in Florida and Louisiana where sugar can be made to grow, not so prolifically by any means as it will grow in Cuba, but at a greater cost of time and effort, it will grow. Sugar cannot be made from cane grown on these poorer sugar lands nearly so cheaply as can sugar cane grown from cane grown on the Cuban fields; therefore, when the Florida and Louisiana sugar must compete in an open market with sugar from the Cuban fields, it loses out. Since the cost of producing the cane is higher, the selling price of the sugar must also be correspondingly higher. Now people will not pay 5¢ a pound for sugar when they can get the same sugar for 4¢. Therefore, these lands in Florida and Louisiana cannot be used for raising sugar so long as Cuban sugar is admitted duty free. Now, etc. the owners of these Florida and Louisiana sugar lands (no one else is interested in doing it, because no one will petition to have raised the price of the article he buys, it is only the seller who is interested in having the price raised) succeed in getting a tariff placed on sugar. This tariff will raise the price of sugar to a point where it can be produced profitably from the Florida and Louisiana fields, and much Cuban sugar is kept out of the country. This will increase the demand for these poor sugar lands, since sugar can now be raised there profitably, and up goes the price for these lands. The wages of the people who work on these sugar lands will not be raised nor will the wages of the people who work in the refineries, nor will the profits of the retail business man be increased, - though he will get most of the blame for the increased price of sugar to the

consumer. But the rental value, and the selling value, of these Florida and Louisiana sugar lands will be increased, and the consumer pays for this increase in the increased cost of the sugar he buys.

Any benefits that may come from the tariff on sugar will go to those who own these sugar lands, and to no one else.

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If we were to lower tariffs or establish free trade, /either of these do benefit the worker? Theoretically, free trade should help the worker as well as the whole population, by enabling him to buy many kinds of goods more cheaply abroad than they can be bought in this country; and in order to pay for these goods production here in all lines would be stimulated and employment increased. Actually though, under our present system, as soon as it was established that because of free trade, the average man could buy things cheaper than with a tariff, land value and rents would be raised sufficiently to take the benefit from him. The pressure of unemployed men bidding for jobs would make this true. Free trade enormously increased the trade of England, but it did not decrease pauperism there.

The reason for this persistent belief in the benefits of a tariff (the average man does not realize that foreign trade is a two way proposition) Where work is scarce and when at the same time people do not understand economic principles, and therefore, do not see the real cause of their unemployment, it is very easy to blame someone for their troubles, especially if that someone is a foreigner. But the only antidote to poverty is Wealth, the only place to get wealth is from the land and the only possible way to distribute wealth after it is produced is by trade. The freer the trade with every part of the world, the more men will be kept busy making the things with which to trade. In no phase of life is there any substitute for freedom. The cure for our economic troubles lies not in the restriction of trade, but in curing unemployment.

Sir Benjamin Dawson was very correct when he said before the League of Nations: "Why is it that each nation is economically at war with the rest of the world? Because each nation is trying to do something to provide work for its army of unemployed by applying tariffs, quotas and restrictions. If there were no unemployed there would be no reason for these barriers. Economic wars would end, and there would be a free flow of goods from one country to the other."

Many Americans condemn the European countries for not paying World War debts, but it is our fault that the war debts are not paid. There was a time when the other nations were willing to pay, and many of them would like to pay us today if we would accept payment in goods; but this idea that goods made in a foreign country are somehow a menace to our own industries, made America refuse to accept goods in payment of these debts, and consequently, we received little or no payment at all.

The United States is the greatest free trade country in the world in our internal relations, with no tariff between the states. It was not always thus. In Colonial days many states imposed duties upon goods coming from other states, but with the adoption of our Constitution in 1789, all of these interstate tariffs were abolished, for the Constitution provides: "No tax or duty shall be laid on articles exported from any state." In principle, what is the difference between free trade

among states and free trade among nations?

The notion that Labor needs protection comes from the institution of slavery. Labor is the principal thing under heaven which does not need protection, all that it needs is opportunity.

LABOR UNIONS

Today we have millions of people in this country who are out of work who wholly or in part are being supported by charity, either governmental or private; and even in our best of times we have other millions who are always very near the line where they must choose between charity or starvation. Probably no one believes that this condition exists because this country is not able to produce enough to support all of us in comfort. Almost everyone seems to realize at least vaguely, that it is due either to lack of employment, or the lack of proper wages.

And here the Labor Unions step into the picture in their effort to raise wages, or at least in their efforts to raise some wages. Can Labor Unions solve our economic problem and bring about a condition where every man can be certain that he can always have a job at good wages? I doubt if the most optimistic Labor leader would promise this, but even if he did, he could not fulfill his promise.

That Labor Unions in the skilled trades can for a short while and to a slight extent raise wages in these trades is, of course, true, but that they can raise general wages is, of course, not true. These increased wages which Labor Unions are able to enforce takes place only in some trades. This increased wage must be added to the price of goods made in these trades. The men actually receiving the increased wages will be benefitted, but for those people not unionized, or for those people in unions whose wages have not been raised, each increase in the price of commodities will only mean that their wages will buy fewer goods than before, and, therefore, as the standard of living in one class is raised, the standard of living of all outside of this class is lowered.

Nor do these increased wages benefit the members of any Union for long. On the one hand, the higher cost of goods will make less of a demand for the goods produced, thus decreasing jobs; on the other hand, the higher wages will bring more men into the trade, and this will increase the competition for the smaller number of jobs. Honest Labor Leaders will tell you that this always happens in spite of all the efforts on the part of the Union to keep wages up. And it must be so, because slowly but surely, the irresistible pressure of men out of work, bidding for employment, must tend to drive all wages down to the level of subsistence.

And if it were possible for all Labor to be so unionized that workers received increased wages, then no one would benefit; because the price of all commodities would be raised to absorb these increased wages, and everyone would be in the same position as though there were no unions at all. Everyone would be receiving nominally higher wages, but because of the higher prices, these wages would purchase no more than would the lower wages and, therefore, the actual wages would be no higher. If by some chance all of these increased wages were not absorbed by the higher prices, then rent would be increased enough to absorb whatever the difference might be.

Trade Unions are military rather than economic organizations. Men who have no inclination toward them, nor who are even opposed to them in

principle, are forced to join them in order to get work. The unions often seek to enforce their demands by strikes, which, even when no violence is used, are more destructive of property than are wars. A leader of a labor union must be an autocrat to enforce his power. But in spite of this autocracy and destructiveness of strikes; in spite of the arbitrary limiting of the number of apprentices and arbitrary rules limiting the number of hours a man may work, and fixing the amount of work he shall do in a day; in spite of the ostracism of non-union men, and the boycotting of business men with or without a just cause; in spite of all these and more, if Labor Unions could solve the Labor problem; if they could bring about a state of equality of opportunity for everyone, possibly their shortcomings might be overlooked. But Labor Unions cannot do this - not in a thousand years - because instead of attacking causes, they give attention only to individual cases and leave the general cause still operating. Even if the Unions gain their object the consumer still suffers. And worse than all else the Unions cannot and they do not try to improve the condition of the man at the margin, - which of course they could not do without attacking basic causes.

As I said before, and as practically everyone realizes, Labor does not today get a fair share in the distribution of wealth, but it is not the employing class, not the Capitalist, as most unionists seem to believe, who receive what should go to Labor. If they did, then small business men, merchants, store keepers - every man who employs even one man to help him would, naturally, flourish; because, in addition to his own wages, he would be receiving part of the wages of his employee. Yet everyone knows that the small business man, as well as most men with larger businesses, must work very hard in order to keep their heads above water. Dunn & Bradstreet says that more than 95% of all people who start in business fail within 66 months which means that these men not only did not flourish through exploiting their employees, but that they have even lost the Capital which they invested in their businesses.

No, it is not the Capitalist as such who receives the wages which Labor does not get. As a matter of fact, any increased wages commanded by labor does not in the long run, very much affect Capital at all. Of course, if the Capitalist has existing contracts which must be filled, he will suffer, because of the new wage schedule, until that contract has expired, but new contracts will be made at such an increase in price that as will pass the increased wage along to the consumer. Or, if the business which must pay the new wages is a competitive one, and if the market conditions are such that this increase cost of producing the goods cannot be passed on to the consumer, then that business firm which is pure profit to a Capitalist, must fail. When a firm owns social privileges, such as patents, or, the greatest privilege of all, land; then by decreasing the amount of rent it pays to itself, it can pay the higher wages, and still sell goods at the same price as its competitors. But this concession is made to Labor by that business firm as a Land-owner and not as a Capitalist. Labor may inquire "What does it matter how we get the concession, so long as we get it?" The importance of recognizing who it is that makes the concession lies in the fact, that if Labor Unions did recognize this difference, and did understand economic forces and how they act, then these unions would be in a position to act intelligently to better Labor conditions.

Just so long as the Unions fail to recognize Labor's relation to Land, and also fail to recognize the difference between Land and Capital, just so long will they waste their efforts in trying to accomplish the impossible, i. e. to raise their own position by pushing

Capital down. If they but knew it, the position of the Capitalist who has no special privilege, as a land-owner or otherwise, is just as bad and just as precarious as is the position of Labor itself. In order to produce abundantly, Labor must use Capital, and by trying to destroy the Capitalist Labor is trying to destroy one who is in no way its enemy.

The thing which crushes Labor is not the oppressions of the Capitalist nor is that which crushes the business man the higher wages he must pay because of Labor Unions. The same force which crushes Labor is that which likewise crushes the business man, though neither Labor nor Capital recognizes the fact.

As George Rusby says in his book, Capital and Labor fight because they fail to recognize that they have a common enemy who is robbing them both. They are like two brothers who, searching for a thief and meeting in the dark, each mistakes the other for the thief and they fall to fighting each other, while the real thief escapes with most of the property of both of them. And this thief which robs both Capital and Labor is that system which permits one person to prevent another from using idle land. If Labor Unions wish their efforts to be effective, this is the enemy they must fight, and not the Capitalist.

FREE COMPETITION

We see many references, in the discussions of the day, to what are called the "evils of competition." Some claim that if free competition ever was a benefit to society it has had its day and should be abolished, or by law if necessary.

I wonder if such an erroneous idea may not be due to a failure to define terms. Divested of the confusion and the emotion which has surrounded the use of the term, does "free competition" mean anything but "free bargaining"? A little thought will show that instead of free bargaining having had its day it really never has existed. Bargaining has approximated freedom on the fringes of frontier settlements, and here it has worked well, but we have no record that any organized government has ever allowed any opportunity to test what free bargaining will accomplish.

Privileges in some form have accompanied civilization almost from the beginning, and wherever one finds privileges legalized, there, and there only, that extent free competition becomes impossible. There can be no free bargaining when one of the parties to any transaction is helped by a legal advantage and the other is hindered by a legal disadvantage. It is as though in a foot-race one runner were fastened to the goal by a spring to pull him in, and the other shackled by a ball and chain to hold him back, and then they were told to compete. Where tariffs prevail, there free bargaining is hindered deliberately and intentionally; where taxes are imposed on producers or on consumers, or any other class as such, that class is hindered in dealing with others and they can do no free bargaining; but worse than all else, where landless men who must work or starve, must offer their services in competition with other men who must work or starve, while others have been given the legal privilege of shutting them off from the land, without access to which they cannot live, - one might call this a free farce, if its results were not so sad, but certainly it is not free bargaining or free competition.

There are only two ways by which the economic affairs between individuals in society can be adjusted, and these are by compulsion or by co-operation. When one individual or group of individuals is given a privilege which is denied to others, this implies the possibility of the owner of this privilege using compulsion upon the others: the privilege would be of no value if it could not compel others to acknowledge its existence and live by its terms. Co-operation implies a voluntary untied effort. All production in modern society is made possible by the united industrial effort of all of the workers (one man working alone might in time produce an auto, though it would be with great difficulty, while many men working together can produce an auto easily), but a compulsory united effort is a very different thing from a voluntary union. To empower one individual to compel others to serve him or to put others at a legal disadvantage in contracting to serve him, is to establish the principle of slavery, and it is none the less slavery if it is the government which applies the compulsion instead of an individual.

Real co-operation, of course, is not limited to those profit sharing schemes usually called by this term, but implies a nation side, or even a world wide combination of effort in supplying human needs, a voluntary interchange of labor from one end of the world to the other. Those who fear free competition claim that such an interchange of labor could not work justly unless it were regulated but who is there that is fitted to decide with justice as to who shall work, how long they shall work, for how long they shall work, what they shall do, how and how much they shall be paid. The answer, of course, is that no man, or no body of men, is fitted to decide these and other similar questions for others. What might be just for one man today, might, and probably would, be unjust for other men. And it might also be unjust for this same man tomorrow. No regulation of these conditions for any individual by anyone else could possibly be just, or even approximate justice. Nor is such regulation necessary.

Co-operation would void all attempts at regulation by leaving each man free to decide these questions for himself. If every man had an equal opportunity with his fellows to work or not, if and as, and when, and where he wished, free competition could produce but one result,--neither party to any transaction could get more or less than might be fair to each.

Some people speak of free competition as though it were synonymous with selfish greed. Now ignorant selfish greed might, or might not, be a motive in competition but whether it were or were not would not matter in the least. In a free market, where no man had any legal advantage over any other man, the pressure of self-interest in all directions would force men to make bargains which were fair and just, because no one would need to buy, nor to sell, nor to work for another until he felt that he was getting a fair return. Of course, human nature being what it is, each man probably will try to get as much as he can, but if any man should demand more than others are willing to do the same work for, he would not get the job, nor would he be able to sell his products, as the case might be. If others demanded more of him than he were willing to give, then he could go to work for himself. In truly free competition, it would be impossible for any one man to oppress another.

Those who object to free competition, because they have no faith in human nature, remind one of the conditions in the Andersonville prison during the Civil War, where hundreds sometimes thousands of prisoners, captured from the northern armies, were herded together for months, sometimes for years; with no sanitary arrangements, no shelter

nor fire provided: only such clothing, or bedding as they might have had when they were captured: with very little food supplied, sometimes for days none at all; the only water being from a small stream which flowed across one corner of the stockade, which often, in the summer, was almost dry. Even though occasionally the incidents of heroism and sacrifice for others which came to the surface seemed almost superhuman; on the average such conditions could bring out only the worst in human nature. To claim that because these prisoners often acted worse than animals in order to live, therefore they were not worthy of being freed, would have been no more illogical than it is to claim that because, in our present industrial system, competition for opportunity to work (which is all the competition we have today) often makes men ignore the rights of others, therefore competition itself is a failure and compulsion must be substituted for it.

No!! What we must do, what the aim of every movement in a civil- ization should be, is to establish free competition, if we would have our civilization go forward. Any steps taken toward throttling competition can be only toward an arbitrary compulsion, which can end only in the destruction of individual liberty. Every step in that direction is but another step backward toward another series of Dark Ages such as those under which Europe struggled for more than a thousand years. The cause of those centuries of misery in Europe was the same as will cause our Dark Ages for if we do not stop its operation, and that cause was the extension of privileges to the few which permitted them to control the lives of the many.

And the worst of all these privileges is the privilege granted to a part of the people, to compell others to pay them for the use of the land they must use in order to live. Francis Bacon says that by the middle of the thirteenth century the Church alone owned more than 1/3 of the soil of Europe, and the various kings and families of the nobility owned at least 3/5 of the remainder. Is it any wonder then under those conditions the average man was degraded and ignorant? The wonder is that he kept alive any spark of manhood at all.

The greater the amount of individual liberty which a man has, the greater is the probability of his development. True individual liberty is possible only under a system of free competition. Free competition is impossible except when every man has an equal opportunity with all of his fellows to earn his bread. Any arbitrary compulsion of one individual by another individual, or by the State, leads only to degradation, both of the oppressed and of the oppressor.