POLITICAL ECONOMY

FOR

AMERICAN YOUTH

WRITTEN FROM
AN
AMERICAN STANDPOINT

BY

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NEW YORK
A. LOVELL & CO.

PREFACE.

The present time may be deemed propitious for the presentation to the public of a text-book on Political Economy designed for American youth and written from an American standpoint.

It would seem expedient that a progressive nation of 65,000,000 people, so situated as to be virtually independent of the rest of the world for the comforts and substantials of life, should adopt, for its own material interests, an economical system *primarily* adapted to its own conditions. At the same time, it can consistently recognize *at their full value* its commercial and industrial relations to the outside world.

The reasons for adopting the policy thus indicated appear more clearly when the fact is fully considered that the American people occupy a territory—excluding Alaska—nearly equal to that of all Europe. The domain of Europe extends from the 35th parallel to four degrees beyond the Arctic Circle; that of the United States lies wholly within the choicest portion of the temperate zone, as it extends from within half a degree of the Tropic of Cancer to the 49th parallel on the northwest and on the northeast to the 47th.

On both sides of the Arctic Circle are immense barren wastes because of the climate; on the other hand in the United States, with the exception of the higher portions and sides of the mountains, there is scarcely a square mile that is not available for cultivation or pasturage. The territory of the Union, also, abounds in mineral wealth of untold value ; it has a soil remarkable for its fertility, which is greatly enhanced by a copious rain-fall, while a diversified climate causes it to yield an abundance of diversified productions. These comparisons are drawn for the purpose of enabling American youth to appreciate more perfectly their goodly heritage.

The effort has been to present the study in a practical manner, and fine-spun theories and abstractions have not been discussed. The aim has been to avoid prolixity, to be concise but clear, and to present the *essential* phases of the study in such manner as to interest the student who may be willing to make the proper exertion to understand the subject.

In respect to differences of opinion on certain phases of Political Economy, that have elicited special discussions—for illustration, free-trade *versus* protection—the arguments for and against, as set forth by their respective advocates, are, we trust, fairly and concisely given, and in such terms as to be comprehended by the diligent pupil.

The questions are intended to be *directive,* but not *leading.* They are limited to the main points in the section, and are not so numerous as to make the answers merely mechanical on the part of the pupil, but are so constructed that to answer them the lesson must be studied.

J. H. P.

New York City, July, 1892.

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INTRODUCTION.

1—6. In a complete and practical education of American youth, it is fitting that the study of Political Economy should hold an honored place, inasmuch as this branch of knowledge, so suggestive in its main principles, is valuable to both sexes in the active duties of life. When entering upon these duties our youth are virtually free from a class of influences that somewhat hinder the progress of the youth of the old world, such as certain social arbitrary distinctions, that prevail in the society of the latter, which in a measure preclude an open field for competition in the affairs of common life. On the other hand, the American youth—as a result of his birthright of political equality—develops self-respect, a corresponding self-improvement and a dignified self-reliance. The combination of these three traits of character, constitutes the kind of Aristocracy that the American people recognize and delight to honor.

2. **The Demands of the Times.**—Is it not time that the youth of 65,000,000 people, who are thus free and untrammeled, should study social science and polit-

ical economy in the light of their own surroundings, thus utilizing whatever phase of the science may be specially adapted to their own condition?

The question may well be asked, why may not our young women in the High Schools or Academies, Seminaries or Normal Schools engage in the study of this science, as well as the young men in colleges? The young woman who teaches the higher branches of an education, requires a knowledge of this study, as much as does the young man who adopts the same profession. At this day, especially in our own land, questions are arising in respect to the part woman shall take in public affairs. In some States she has already become a voter on questions of education, temperance reform, and in municipal management, and frequently holds office by election or appointment. The tendency is to welcome woman's influence on vital reforms in morals and education, and in some practical manner. The sooner she is prepared intelligently to exert that influence on these questions of the day, the better will it be for the interests of the entire people.

POLITICAL ECONOMY.

I.

FORMS OF GOVERNMENT.

3. The earliest record we have of a government is that of the patriarchal, which commenced with the father as the head of the family, the office being transmitted to the eldest son. This form was more suited to nomadic or roaming peoples, who lived upon the products of their flocks and herds, than to cultivators of the soil in connection with other industries, who, also, lived in permanent homes. In process of time the nomadic family became a clan or tribe, and grew in numbers by natural increase; meanwhile ambitious chiefs extended its influence and strengthened its power, and often made it stronger in the acquisition of territory by means of conquest, and finally an empire was thus constituted. Such governments became despotisms, and soon the mass of the people were held in absolute subjection to hereditary rulers. This form of government prevailed in Asia from the earliest times, and with it the plurality of wives, which custom has

always been a hindrance to the spread of Christianity in the far East, since the latter system of religion has ever held as sacred the marriage relation between one man and one woman.

4. **The Family, the Basis of Society and of Government.**—In contrast with the patriarchal were the governments that prevailed among the nations of Europe, that of Greece being the earliest and brightest example, while that of the earlier Romans was either derived from the former or may have been original, but coincident. Both were, however, in the main, based upon the family as constituted by one man and one woman—husband and wife—and their children. This may be said, not merely of the Greeks and Romans, but with equal justice of the Gauls and the Germans and hence the Saxons. Still more was the sentiment of woman's social equality with man afterward strengthened by the diffusion of Christianity, which alone of all religions recognizes the true relation of woman, as the helpmeet of man in promoting a higher and purer civilization.

5. **Domestic and Political Economy.**—The term economy is derived from a Greek word, οἰκονομία—*oikonomia*—meaning the management of a household or family. The first to inquire into the principles governing man's social life were Greek writers, some of whom lived nearly four hundred years before the Christian Era. They treated the subject in an elementary way and as pertaining to the family alone, giving directions how

to make provision for the comforts of its members. This may be classed as domestic economy, on which separate books have been written.

When families congregate together and thus constitute a community, the treatment of the subject demands a more enlarged form, and, instead of applying rules to one family alone, it extends to many, or to society at large. The latter, being more extensive and more diversified in character, requires a name in order to express distinctly its various relations, and therefore, the qualifying word *political* is introduced. This term comes also from a Greek word πολίτης—*polites*—meaning a citizen, and *political economy* properly treats of the relations of people to one another in the capacity of citizens. Thus this science has grown out of the conditions of society, which, in its diversified forms or grades, has become instituted, because of man's loving to associate with his fellow-man, as well as from the relation of the sexes and the love of children as exemplified in the family. In this connection, it is proper to remark that *political economy,* as a study, is entirely distinct from the ideas involved in the term *politics* as commonly used.

6. **The Necessity for Labor.**—A supreme authority has established a law by which "man must eat bread in the sweat of his face," and consistent with that law, the same benevolent authority has so constituted his physical nature, that he is happier, all things considered, when properly employed than when improperly idle. Man, different from other animals,

requires that his food should be prepared in some manner, as, in the main, he cannot use it in the form produced by nature. In addition he must be protected by clothing and shielded from the inclemency of the weather by being housed. To obtain all these requirements, labor is demanded on his part.

The Origin of Trade.—In early times the wants of mankind were very simple, and they were easily supplied, but as the race became more advanced in civilization, these wants or desires increased in proportion, and each individual, finding it impossible to supply all his desires by his own exertions, was compelled to have recourse to the labor of others. The latter, however, required *compensation* for their labor, and hence grew up a system of barter or exchange of products between the individuals of the same community. In this primitive manner we may imagine trade first began in society, and also that certain persons in making articles needed by their neighbors acquired skill and facility in that special work. Meanwhile improvements were made, and as, the demand for his manufactured articles increased, the original mechanic hired assistants, and at length his workshop became a factory.

It is not within the scope of this book to trace the growth of the wants of man, nor the means by which they have been supplied up to the present time. In the latter respect, when compared with the past, this is the golden age of civilized society.

II.

POLITICAL ECONOMY DEFINED.

7—13. This science one authority defines as: "That branch of philosophy which discusses the sources and methods of material wealth and prosperity of a nation;" and another, as "that branch of social science, which treats of the production and application of wealth to the well-being of man in society." *These two definitions thus combined* are intended to represent the science in its completeness. In this study we must bear in mind the intimate relation that exists between the mere acquisition of wealth for its own sake, and its practical use and influence upon the people themselves, who constitute the Nation. The people by their industry make available the hidden treasures of nature, and utilize them in promoting the welfare of society by raising the standard of comfort among its members, and thus elevating them to a higher plane of culture and of refined tastes. The study may, therefore, be deemed as in intimate connection with *social science,* or the knowledge of man himself in the relations growing out of his desires, tastes and aspirations for a higher grade of character. For this reason, political economy, as a study *made practical,* obtains only among peoples advanced in civilization, and, the higher the plane of that civilization, the more refined will be the tastes of the people and the greater the extent of their individual wants—physical, moral and æsthetic. With each successive generation, the plane of a Christianized civilization rises higher and higher. This science, when applied to society or the people taken collectively, will, therefore, assume proportions corresponding to their many increasing desires and wants, and in supplying them the whole world, with its commerce and industrial skill, is to-day and ever will be, directly or indirectly, laid under contribution.

8. **First General Law.**—In dealing with man the Creator has established laws in accordance with which;—*He confers nothing upon him that he can acquire by his own exertion.*

Man cannot furnish the air he breathes; nor sunshine and rainfall to cause the earth to produce; nor can he command the blood to course through his veins, nor his food to digest that his physical system may be sustained—the latter operations being involuntary. Nature herself furnishes him with these *essentials* to animal life, and these might fail in effect, if their action depended upon his own will or watchfulness. His desires or wants, that are outside or beyond these essentials, *are gratified only* by means of his own exertion or labor in some form.

9. **Second General Law.**—*Man does not act without motives.*

The strongest of these as to material things arises from the fact that the *fruits of labor* are recognized as exclusively the *property* of the person bestowing that labor. This recognition is common among men, and is consistent with right and justice to such an extent as to be *intuitive* in the individual. This admission carries with it the *right* of the producer *to have absolute* control of the fruits of his own labor so that *he may exchange* them for something else or transfer them to others.

10. **Third General Law.**—*As man advances in civilization his desires become more refined and increase in number.*

These desires are consistent with the highest phase of living as found in a Christianized civilization. A social condition thus constituted is able to appreciate the advantages derived from skillful labor and inventions, both of which are put in requisition to supply the physical and intellectual wants of a community thus advanced in refinement and taste. Each generation requires more to satisfy its desires than did the one preceding, and in consequence, the developments of practical science and the continually improved facilities for promoting industries and education must keep pace in the future, as they have in the past, with these increasing desires.

11. **Fourth General Law.**—*The ample stores, from which man can obtain the means to advance his physical comfort, are hidden in the recesses of nature.*

The earth has within its soil elements, that, under certain conditions and in connection with the labor of man, will produce food. Wild berries grow in the meadows, and nuts are found in the woods, but they must be gathered; the sea abounds in fish, but they must be caught. Coal in the mines and iron-ore in the vein, with limestone near by, are in theory useless until the labor of man is so applied as to bring them together in such proportions, that by application of heat the dross is driven off and the iron left pure.

By a law of equity, the cost of production, as a general rule, is so equalized, that a gold dollar in California costs as much labor and expense as does a dollar's worth of wheat in Dakota, or the same amount of value in a factory in one of the old States. A law established of old, that, "if any will not work neither let him eat," is complied with at all times, for even the wealth of those who by inheritance have the means of living was also obtained by labor at some time and somewhere.

12. **The Fifth General Law** is that man, being a reasoning creature, will not act without a motive, and therefore, *The incentive to labor originates in his self-interest or desire to possess something which he values.*

We may conceive of a savage having no desires beyond that of supplying his very limited physical wants, and that therefore he would live in absolute idleness unless forced to exertion by the pangs of hunger or some great necessity. The more enlightened the people, the more enlarged and varied are their wants or desires, and these increase from generation to generation to such a degree, that we often find the use of some one article classed as a luxury in one generation, which in the next becomes a necessity. For illustration, ice as now used in the household was within half a century ago deemed a luxury, while to-day, especially in the cities, the tastes and habits of the people demand its use as necessary for their comfort. This principle also applies to the numerous other wants, that are continually increasing among the people as they become more educated and more refined, and their desires extend outside and far beyond the mere wants of their physical nature. To meet them the plainest food and the simplest clothing might suffice; but advanced or refined wants require a proportionate amount of labor: hence the more civilized and cultivated a people become, the more diverse are the industries demanded to satisfy their desires. This advancement is by no means limited to supplying the *physical wants* of the people, for, within the last half of the present century, the progress of science in revealing the secrets of nature and applying the knowledge thus obtained has made the education of a pupil in a high school of to-day far more extensive in some practical forms than was enjoyed by the college graduate of the former period.

13. **Education a Promoter of Successful Labor.**—It is proper in this connection to notice education or mental training as an important factor in the efforts to develop the resources of our country; to treat of which comes under one of the branches of political economy. Edu-

cation may be termed *mental wealth* as it is the outcome of mental labor, and as such deserves recognition by American youth who are about to engage in any of the mechanic arts or in any profession. In the various kinds of human employments, often the scientist, the geologist, the metallurgist or the civil engineer, is essential for the successful prosecution of labor. How could mere unskilled laborers grade railways and put down rails, if not under the supervision of competent engineers, who direct how and where the track is to be laid? How much would ignorant labor alone accomplish in smelting iron? It might handle the pick and the crowbar in quarrying the limestone, in getting out the coal and the iron-ore, but *science*—after long years spent in experimenting, and in mental labor—directs the proper proportions in which the three ingredients are to be placed in the furnaces, in order to smelt the ore and obtain the iron.

The man who invented and put in practice the iron or steel plough, and thus superseded the cumbersome wooden one, did more to promote agriculture than ten thousand unskilled farmers toiling in the old method. Educated labor does better work than the uneducated. The great success that crowned the efforts in spinning cotton when first established in New England, was owing very much to the general intelligence of the native girls who attended the jennies. Their minds having been trained in the public schools of that day, they were able to master speedily the intricacies of the machinery. The rule applies in all similar cases. The grand result is brought about by the combination of physical and mental labor; or in other terms, labor to be successful must have brains in it, and be directed by competent knowledge. Education is, therefore, recognized by the thoughtful, as an all important factor in perfecting workmanship of whatever form, meanwhile adding to the material wealth of individuals, and thus indirectly promoting the well-being of the Nation.

III.

WEALTH AND LABOR.

14—20. Political Economy treats of the principles in accordance with which *material wealth* is acquired, but by no means is it thus limited, in fact it applies to civilized man in all his social relations, inasmuch as the knowledge of its truths may teach him how to gratify his tastes and desires, and to promote his individual well-being, as well as that of the people at large.

Wealth Defined.—The term wealth is often used in a vague or indefinite sense, for instance, when restricted to money alone, since the latter is only a medium of exchange, and merely represents wealth. A greenback calling for one hundred dollars is of itself worth only the paper on which it is printed, but it represents that amount in the Treasury of the United States, and when the owner presents that note at the counter of the Treasury he receives its face value in gold.

A railway uses but little money in its transactions in business, when compared with the amount of its property or wealth in the road and its equipments. It is seen by this illustration, that the term *wealth* includes the possession of a great variety of special objects, and yet each one is limited in amount; if it were not so, every person could have an abundance, as of air and sunshine. On the other hand, the term wealth, strictly implies a surplus of the objects or articles beyond what is requisite to supply the wants of the individual owner, and which surplus if he wills, he has the right to transfer to others. From this it follows that wealth may be defined as *that which can be exchanged, is limited in supply, and is useful.*

15. **Original Source of Wealth.**—The benevolent Creator has placed within man's reach in the storehouses of the earth those substances, that when properly prepared can add to his comfort and improvement. Man can neither create a particle of matter nor can he destroy it; he can only change its form and, by making combinations of its various properties, produce results that become useful and adapted to gratify his desires. The Creator has constituted him lord of the earth, and endowed him with mental capacity to search out the hidden treasures of nature and utilize them for his own benefit. He did not grant him *great physical strength*, that he might thereby accomplish much in moulding matter, but instead *He inspired him with intellect*, that he might investigate the mysterious powers that are hidden in nature and by controlling them compel them to do his bidding. He can make a combination of saltpetre, charcoal and sulphur, which, as gunpowder, enables him in the twinkling of an eye, to accomplish more in moving masses of rock than he, single-handed, could

do perhaps in months. He brings under control the expansive force of steam, and runs the steamship or draws the railway train, or drives the complex machinery of the factory. By means of the inherent force of an educated mind, he lays under contribution many of the powers of nature—as gravitation, wind, electricity, magnetism, and perhaps, in the future he will utilize other forces not yet discovered. He lays claim to the ores of numerous metals and seams of coal deposited within the recesses of the earth; his knowledge enables him to cultivate the soil properly and nature smiles upon his efforts and produces abundant crops.

16. **Why Wealth Increases.**—The wants and desires of civilized man are ever increasing and always recurring, and thus they cause a steady reproduction of the commodities by which they are satisfied. In that case the latter are themselves consumed and the process of production and consumption, goes on continually. The man who by his labor barely earns a support, cannot be deemed wealthy, but when he accumulates a surplus beyond these necessities, and by frugality, temperance and prudence lays it up in store for future use—thus far he is wealthy. To accomplish this requires well-directed labor; it may be physical or mental or possibly both, and it also requires the habit of saving—the latter virtue must neither be overlooked nor practically ignored. In proportion to the facilities properly utilized, by individuals or communities, wealth increases.

Man has every encouragement to labor in hope of a fair remuneration on the part of nature. She is not stingy but bountiful in her gifts, and the more she is caressed the more loving she becomes. The materials that are useful for man's comfort and prosperity are in her keeping, and the only condition imposed is that he makes these treasures available by his own exertions. Industry, connected with a proper spirit of economy, in order to meet the wants of the future, is found among civilized nations alone. Savages provide for the passing moment only, and among them, wealth in a comparative sense has no existence.

Man's Labor Unlimited.—The civilized man is constantly acquiring tastes that are far-reaching in their influence, and to satisfy them, labor is essential, and that sometimes even in distant portions of the world; and yet this labor, *by a universal law, demands compensation,* which must be by means of labor. For illustration, the American farmer prepares the ground, sows the wheat, harvests the crop, from which the miller manufactures the flour, and the merchant ships the latter to Brazil to exchange for rubber or coffee, which is equally the result of labor. Numerous commodities—the product of labor—go from the United States to China to exchange for tea, to Cuba for sugar, to Central America for chocolate, or to the East Indies for spices, or to the countries of Europe for manufactured articles—thus labor goes on the world over. This is in consequence of the desires or tastes of the civilized man taking in so wide a range. He finds that certain elements in the food that is produced in foreign lands are beneficial to his physical system and conducive to his health and comfort, therefore, to furnish his breakfast or dinner table, far separated portions of the world are made to contribute. It follows from this general law, that the most refined and cultivated people require to supply their numerous desires the diversified labor of a large number of persons in different lands. These desires are often characterized as being artificial, and they may be in a certain measure, but they are none the less prevalent in all civilized society; and instead of diminishing, they are increasing from generation to generation. These refined tastes and desires are not injurious, while each one serves to link the nations of the earth in mutual good-will, though it may be only commercial.

17. **Labor Honorable for All.**—Neither will the race deteriorate because of its rising to this higher plane of culture, to which allusion has been made, as with it is connected and taught a practical knowledge of man's physical nature and the laws of health. There are distinct indications that in the main, the intelligent portions of the people of the United States are gradually improving in their physical constitution. Strictly speaking we have no leisure class, for the vast majority are engaged in the active duties of life, which are so conducive to health; the wife superintending the household affairs of the family, and the husband the routine of business of whatever kind in which he may be engaged. It is contrary to reason that

the increased knowledge of to-day, as compared with the past, and its continual development in the future, would not be applied in promoting the physical health of American youth, as well as in their progress in the cultivation of the accomplishments that are in accordance with moral worth and intellectual acquirements. The gradual elevation of character from one generation to another is promoted, because the immense majority of the American population are engaged in some legitimate and honorable occupation. Political economy is used in one of its appropriate spheres, when it treats of the education of youth in respect to the preservation of health and vigor, while it encourages individual industry.

18. **The Essential Value of Labor.**—A little reflection will show the immense amount of diversified labor, unskilled and skilled, that is required to prepare for use the elementary productions of nature. For illustration, take the common nail, the simplest form in which the carpenter uses iron or steel in his work, and trace it from the crude ore imbedded in the vein ; note the smelting ; the preparing of the metal and the process of passing it through the machine, as it is being made ready for use. His hammer needs still more preparation than the nail, and so does the cutter in his plane. The latter must be made of iron purified into steel, and so hardened that it will carry an edge ; and his saw must not only cut well, but be very elastic. In a similar manner are the tools of other mechanics and artisans prepared, and though

under different processes, they are all as essential in accomplishing the final result, as is the labor of the workman who gives the finishing touches. The pupils would do well to use other illustrations, and trace for themselves the preparation of the materials brought into requisition, as for instance in the building of a house; the stone from the quarry; the brick from the clay; the lime from the limestone; the timber from the forest; the glass from the sand, and the paint, composed of ingredients from different sources, but of dissimilar qualities—all the outcome of labor. Time fails, nor is it essential—as the pupil can illustrate the subject for himself—to describe the numberless implements that must be properly made before they can be used practically, from the most delicate needle or surgical instrument to the enormous shaft of the ocean-going steamer.

19. **Labor that is Unproductive.**—While labor is shown to be essential for success in producing good results, yet it is often misdirected and fails in benefiting mankind; for instance, persons labor to become artists, painters or musicians, when a little investigation would discover, that the gifts of nature had not fitted them for that sphere of usefulness. But what shall be said of those whose labor is positively injurious? those who are devoted to gambling in its various forms, such as at the faro-table, the pool-room and in the stock-exchange, as sometimes conducted, thus acquiring property without giving an equivalent, subverting the laws of equity and justice,

not to speak of thieves, counterfeiters and swindlers. Still more harmful is that class of labor which panders to vices that disqualify men for honest work, and cater to the depraved appetites which demand intoxicating drinks. This entire class add nothing to the sum of property, but indirectly diminish it by demoralizing men and making them the slaves of their animal passions, and thereby impairing the general industry of the community.

20. **Labor Influenced by the Demand.**—The classes of labor, such as those of the farmer and gardener, that supply substantial food for the people, scarcely diminish but rather increase in proportion to the increase of the population; and as the different kinds of food for man's sustenance do not cease to be required, neither will cease the labor connected with transportation of the food to the consumers. In this class is also included the labor connected with the manufacture of textile fabrics, useful for clothing, as the amount needed is subject to little variation, because of the continual demand. On the contrary, in the manufacture of fancy but not essential articles, there is often a fluctuation of labor, which is governed by an increased demand growing out of the whims of fashion; a certain style of dress may for a season induce an unusual amount of labor in supplying the market. For illustration, at one time a few years since, numbers of factories were running at full power in turning out a peculiarly-shaped steel wire, used in making "hoop-skirts" for ladies' wear. That

form of labor has virtually disappeared, because the fashion has changed, perhaps to reappear in the next generation. Other instances might be cited in which the manufacture of articles dependent for their use upon such whims has been also discontinued. The main stimulus for labor is in the demand for its products, especially when they are essential for the sustenance and comfort of man, as his desires for substantial food and clothing remain virtually the same in accordance with his physical nature.

IV.

VALUE.

21—25. **Two Definitions of Value.**—The meaning of value as applied in general terms to an object, is often not sufficiently precise, yet it can have *two* special definitions. The *first, exchange-value or purchasing-power*—that is, what it commands for itself. It is used in political economy *in this sense alone.* For instance, a gold dollar can purchase or obtain in exchange for itself a certain amount of wheat, or so much calico. The *second* is value that is based upon *usefulness;* for illustration, gold, pound for pound, has greater exchange-value than iron, but the usefulness to man of the latter metal far transcends that of the former. The gold of the world could be annihilated, and yet the loss to civilized man would be as nothing, compared with his loss if iron were blotted out. If gold were even as abundant as iron, its nature forbids its being used in machinery like iron or steel; by no possible means could it be utilized where great strength is required, as in the shaft of an ocean-going steamer; equally useless would it be if made into edged tools.

22. **Value a Relative Term.**—That is, value is

compared with something else for which it can be exchanged. But in process of time, practical usefulness and experience taught civilized men in their exchanges with one another, to agree upon some one article as the standard of value, and in using that as a basis, the value of other articles could then be estimated by comparison. Thus gold, the most precious metal, has been under ordinary circumstances, adopted as that standard. When that metal was discovered in California, (1848) and afterward supplied abundantly to the commercial world, *prices* of all commodities were enhanced. This was not in consequence of a deficiency in the latter, but because of the extra amount of gold—the standard of value—which had been thrown upon the market. Yet men always speak of the gold dollar in the form of money, as *that standard,* and ignore that it may be cheaper than usual because of its abundance, or dearer because of its scarcity, but instead, speak only of the increased or diminished prices of other commodities.

The value of an article may be greatly enhanced by circumstances. An individual may be in such a condition, because of the pressure of hunger, that he would give many times the usual price for a loaf of bread. In ordinary business, however, values are increased or diminished by various causes ; as the failure of crops, or their unusually heavy production ; expansion of the currency, or by the influence of *speculation*—an abnormal and injurious condition—imposed upon the exchange of values by selfish men. The highest value of the article is based upon the *desire* of the purchaser to possess it—that article may be a diamond, and the purchaser values the precious stone more than the ten thousand dollars he exchanges for it.

23. **Service for Service.** — The practical estimate of exchange-value is based on service for service—that is, on the products of different kinds of labor. To produce value is the work of man; the Creator supplies only the conditions, which of themselves have no exchange-value, they being the gratuitous gift of God to his creatures; the air they breathe, electricity, magnetism, the sunshine and the rainfall; the properties of iron and other metals; the spontaneous fruits of the earth, and other gifts, innumerable. The creation of the *exchange-value* of any one of these gifts that is susceptible of being thus utilized is the result of man's own exertions. When men use these results to satisfy their desires, they exchange them among themselves, the base of the exchange being the mutual agreement upon the *exchange-value* of each one's property, and for the time being the articles, whatever they may be, are deemed of equal exchange-value or purchasing-power. They may both be value in the form of merchandise, or one may be value in the form of money, but when traced to the original basis, they both as an ultimate result, represent *service for service.* The one value may be a thousand gold dollars, which with much labor has been extracted from gold-bearing quartz in California; the other value may be hair-springs for watches, which by means of numerous manipulations have been changed

into their present form from the crude iron-ore taken from a mine in Pennsylvania. Yet each has the same exchange-value or purchasing-power. The term value *is not limited* to material things alone; the skill of the physician, or the education of the theologian, or the legal acquirements of the lawyer, or the mathematical knowledge of the civil engineer, has value that is exchanged on the principle of service for service, as well as material things. *Value in commerce,* Prof. Perry (p. 126) defines as: "The relation of mutual purchase established between two services by their exchange."

24. **Value and Price Compared.**—In intimate connection with value is price—the latter expresses the purchasing-power in money or value of anything salable. Thus when we speak of the price of an article, we mean the sum of money which that article commands. The two terms are not quite the same in meaning: a purchaser may value an article higher than the price he pays for it, or the reverse. But in practical life, value is reckoned almost the same as price—that is, so much in money—and by means of the latter as a standard, the value of the various commodities in the market may be ascertained and relatively compared. Prices may rise or fall, as for instance upon the influx of gold, already noted, but a bushel of wheat, no matter what the price paid for it, has the same inherent value in gratifying desire. The highest value an article attains is the result of its utility or usefulness. Personal desires vary according to the

taste or necessity of the individual, and their intensity is manifested by the price the latter is willing to pay. On the other hand, the value is lowest when the article lacks usefulness, or it may be because of the great expense of labor in producing it; the cost thus being so great, as to more than counterbalance the utility.

25. **Supply and Demand.**—Between these extremes just noted, are great fluctuations of prices or values, and these are caused by the supply and demand. When there is an abundant supply of any commodity in the market, the price is proportionately lower; and, as a general rule, when there is a great demand the price is increased in proportion. This induces in trade or commerce a continual interchange of values in articles salable. The influence of prices is felt more in relation to the necessaries of life when they are the subjects of supply and demand; essentials, such as food and clothing men must have, while *mere luxuries* for the time can be discarded. It may be remarked that those industries that pertain to the cultivation of the mind, such as the outlay in affording instruction to pupils or in the purchase of books, are unfortunately the first to feel the effect of depressions in business transactions.

This continual variation in supply and demand, and consequently in values or prices, stimulates industries of the various kinds. There would be but little interest in trade and commerce if prices never varied year in and year out, and the supply was known to be precisely equal to the demand—such monotony would dampen not only the spirit of industry, but of trade or the distribution of the results of industry to the consumers. Money, gold and silver, or their representatives, bank-bills, being recognized and used nominally as the measuring standard, does not change its value; yet in either form it does virtually, when a superabundance of it is thrown upon the market. Under such circumstances the temptation is great for mere speculators, outside the legitimate trade, to force prices or values up or down in accordance with their own selfish aims.

Effect of Competition.— Competition, as a general rule, prevents such extortion, and regulates prices, bringing the latter into accordance with the demand, so that for the most part, especially in the United States, monopolies cannot last long, for though successful for a time, competitors will soon be in the field, and will lower the price of the article, if consistent with the cost of production, to the advantage frequently of both parties. An *illustration:* Years since, a line of stages, virtually a monopoly, ran on a certain route in the city of New York; a new line was put on the same route or nearly so, and charged only six and a quarter cents, just one-half the price demanded by the first line; the latter was forced to lower its price to that of the competitor, and in consequence both lines ran full nearly all the time, and each made more money than the original line, while the public was fully accommodated and greatly benefited. In time, to the great advantage of the public, both lines were superseded by the present system of street railways.

Political economy treats only of general principles that can be made available in remedying the evil of prices being unreasonably high in proportion to the cost of the production of the numerous commodities thus affected. Under usual circumstances, competition is a quiet but an effective regulator of prices. There may be, however, certain conditions, as when concentrated capital obtains control of the entire output of a natural product which is essential for the comfort of the people ; or when railway or telegraph companies combine in such manner as to become virtually monopolies, which can be made detrimental to the interests of the people at large ; against such combinations ordinary competition has no power. The only remedy for these evils is to be found in wise and equable legislation.

V.

THE FOUR DIVISIONS.

26–39. **Political Economy,** in the main, comprehends four divisions—two Primary and two Secondary. The *First* includes production and consumption : The *Second,* distribution and exchange. The latter two could not exist without the former, hence they are subordinate. We have seen that man can neither create nor destroy matter; he can only so modify the Creator's gifts in the form of natural resources, as to make them available for his own use. The iron-ore and coal have no utility, while lying in the mine; neither has the gold-bearing quartz ; nor has the silk cocoon ; nor the cotton-ball in their native state :—it is only when they have been manipulated by man's labor that they can gratify human desires. Almost innumerable forms of men's skill and labor occupy the great field of the various industries, and thus develop the gifts and resources of nature and from them create value. The general result of such processes is termed *production.* When these productions are used by man to supply his wants, and they perish in the using, as does a barrel of flour when it supplies bread to the eater, it is called *consumption*—that is the ultimate result, and for that purpose was each article made. Thus there is an unending succession of productions, the outcome of industry, to gratify man's ever-recurring wants. This natural order will ever continue. The destruction of the results of man's industry is abnormal, when it is caused by fire or flood or by any untoward circumstances. It is simply a *loss*, and the design in producing the article is frustrated by misfortune.

27. **Distribution and Exchange.**—The articles created by the exertions of men would be of little avail, were they not supplied to the consumers. This form of labor is termed *distribution*. The process of supplying the wants of the consumers is quite complex, as it utilizes all the facilities pertaining to transportation. In intimate connection with distribution is *exchange*, by which one production that is deemed an equivalent in value, is given for another—it may be an article the result of labor by the individual, or it may be in the form of money. Civilized men by means of their personal labor supply but few of their own wants. A person while creating only one article requires for himself an almost unlimited number of other articles. By means of practice he acquires skill, and can produce a certain value better than he can any other ; for instance, the shoemaker can make more and better shoes than the carpenter, and the latter can make greater values out of wood than the former. Thus go on the ever-recurring wants of man, and also the continuous labor to supply them; but of the multitudes employed, each person consumes very little of the value

he himself has created; and though his wants are supplied by others, he still continues to labor in his own special line, that he may have values to exchange for those that are adapted to satisfy his own desires. Thus in the order of things, both parties, the producer and the consumer, must labor to secure the means by which they can make exchanges and supply their wants.

28. **Labor.**—We have already noticed that labor is honorable in all, and essential to secure the blessings that lie hidden in the resources of earth. We come now to speak of the modes of labor used in transforming these treasures of nature in such manner that men can utilize them for their own benefit. Herein we recognize the wisdom of the Creator in giving man intellect, that he may devise means to lay under contribution the powers of nature and make them subserve his will. He thus produces modifications of the crude materials so as to render them capable of enhancing the well-being and progress of the people, and leading them to a higher plane of education and welfare.

29. **Man's Directive Power.**—We apply the term *labor* to man's voluntary efforts to change the form of the materials which nature has provided, in order to use them for his own benefit. In general terms, we speak of man's labor; as all these changes are made either through his individual exertions or under his direction, as when he commands the powers

of nature to do his bidding. He first, no doubt, availed himself of the strength of domestic animals, and as he became more experienced, he used the weight or gravitation of water to turn wheels and move simple machinery; then the winds of heaven to propel his crude boat, and in time when he became more enlightened and learned of the less obvious forces of nature, he utilized that of steam, and afterward that of electricity and magnetism. In the storehouse of nature there may be more forces yet to be discovered and utilized in numerous ways, that are now to us incomprehensible.

The multiform productions of every kind and grade, that are the results of the application of the several powers of nature, are as truly man's as if he accomplished them by means of his own physical labor, because, without the intervention of his genius and will and perseverance in discovering the properties of these materials, and combining them to accomplish the desired purpose, there could have been no such result; and thus far the credit is due alone to man's exertions.

The Creator supplies the conditions; bestows upon man intellect, and the susceptibility of cultivating its powers. He enables him to appreciate beauty and improve his taste; He has given him a moral and spiritual nature, that he may aspire to something divine, and beyond the simple material, and He encourages him by crowning his labors with success.

30. **Mental Wealth.**—Advanced culture and refinement by no means diminishes the necessity for

labor. The improvement of the mind must be acquired by means of the exertion of the *individual himself,* though he can make great progress by utilizing the experience of those competent to teach. Thus it is ordered that the most important acquisition of the cultivated man or woman cannot be bought—it is too valuable for that. The culture of the human soul—intellectually and morally—God has ordained must be acquired by the exertions of the individual alone. The best aid he can obtain is only *directive;* the intellect must act independently; and as the body, to sustain itself, must assimilate the proper food, so the mind must assimilate the truths presented—whether intellectual, moral or aesthetic. By no other process is this wealth of the soul to be acquired; and this mode is consistent with the plan adopted by the Creator in aiding man; that is, supplying conditions, and demanding him to act for himself—to give him nothing that he can acquire by his own exertions.

31. **The Training of Mankind.**— Nature, however, does innumerable things for man that he cannot do, but none that he can do for himself. Therein consists the wonderful training by means of which the Creator develops character in mankind. Learning how to apply the primitive forces of nature, even to a very limited extent, took a long time during the early ages of the race. One application of force would suggest another, and the progress, though comparatively slow, and to us of this day defective, would not be much in advance of the general intelligence of

the people of those primitive times, though every movement in using the powers of nature, and making them do the bidding of man, had the effect of elevating the people at large to a higher plane of knowledge and appreciation of comfort.

32. **Few Inventors.**—The number of original inventors, compared with that of the civilized portion of the race, is exceedingly limited ; not one perhaps in ten thousand, yet in the course of time, the people learn to use and profit by these inventions. From the first, this process has been going on ; but how slowly ! yet no faster than the knowledge of the great mass of the people enabled them to appreciate the special advantages thus brought within their reach. Suppose the power of steam had been discovered a thousand years before it was, the lack of knowledge among the people to make the steam-engine to utilize it, would have rendered the discovery valueless. It is evident that all classes of knowledge and inventions must advance together and at an equal rate, in order that the improvements made by the few may be utilized by the many. Notwithstanding the multiplicity of labor-saving machinery of our own times, there appears to be as much necessity for labor as ever, though its form has been somewhat changed, and time taken to adjust it to the new conditions. The machine that in a few minutes sews together the parts of a shoe or of a dress must be carefully attended, though it accomplishes much more in a given time than can be done by hand. In the general result there is no more room for idle-

ness to-day than there was before the advent of so much labor-saving machinery.

33. **The Extension of Knowledge.**—These improvements are by no means limited to mechanical machines, for in the course of the education of youth, science, within the last half century, has made known numerous branches of knowledge, some acquaintance with which is essential to a symmetrical education. In consequence, the time required to complete the pupil's course of study has been extended in the same proportion. There has been meanwhile as much improvement in the preparation of school-books, and in the methods of giving instruction, within the last half century, as there has been in the modes of conducting the various industries. We have, therefore, a partial view of the advancement of the American people, during the period just mentioned, if we take into consideration only their remarkable material prosperity. Their progress toward a higher plane of mental and moral improvement, has been equally great, if not greater. The intellectual stimulus, that has its origin in the common schools, does not relax its power, but continues to influence the minds of the people, and promote their culture; while the benign spirit of Christianity aids in the moral elevation of their character. Notwithstanding these advantages, there is one phase of acquiring an education that even good books and good methods of instruction can reach only indirectly—the training of the mind, by far the most important of all. The book, and the

instructor, can only be directive ; the mental power of the pupil must act for itself. The essence of an education, therefore, consists in so training the mind that it *can do its own thinking.*

34. **Mind Supplemented by Nature.**—We see that man's mere physical strength avails comparatively little in the great advance of mechanical industries, but nature, ever bounteous in her gifts, aids him effectively, and his labor would be futile without her supplying conditions. Take the example of the blacksmith, whose physical strength is sufficient for the special work he has to do. The piece of iron that he wishes to form into a horseshoe, has in itself elements—the gifts of nature—which enable him to accomplish the end. The iron is tenacious, is malleable and can be welded under certain conditions ; the carbon in the requisite coal lies dormant, but the smith applies fire and the carbon ignites ; by means of bellows he forces in the air, the oxygen of which unites with the carbon and produces a heat sufficient to soften the iron, and the smith by means of his muscles in action is able to wield the hammer, and thus using his skill and physical exertion, he manipulates the piece of iron and turns it out as he designed—a horseshoe. But this result required both his mental and physical strength to be exercised ; man thus adjusting the materials, and the powers of a generous nature produces the desired result. The farmer places the seed in the ground, not at random, but under certain conditions, which by mental effort he

has learned to be congenial. The seed has within it a vital force, but lying dormant until the vivifying power in the soil and the sunshine gives it life, and it springs forth as a root-stem ; then the blades and leaf, the flower and the fruit. The pupil would do well to take other instances and illustrate for himself.

35. **Results of Mental Labor.**—As the human race advances in civilization the facilities for exercising their mental powers increase, as seen in the numerous inventions of various kinds, while their energy is by no means limited in other fields of thought. The chemist in his laboratory discovers certain elements in the combination of which results are often produced of very great value to the people at large. Sir Humphrey Davy reasoning on the power of iron to conduct heat, inferred that a lighted lamp, which was encircled by a frame of gauze-wire, could be used by the miners amid the explosive gasses within the coalmine. He reasoned that the wire, though hot from the gas burning within the frame, would carry off so much of the heat, that there would not be sufficient remaining to ignite the outside gas and cause an explosion. The outcome of his reasoning was the invention of the famous "safety lamp." This is said to be the only invention with which an accidental discovery had nothing to do.

36. **Inventions.**— The discoveries of Edison, in our own day, have had an immense influence, in adding greatly to the comfort and welfare of the peo-

ple; so have the inventions of Robert Fulton, and George Stephenson—the one in relation to steamboats and ocean-going steamers, and the other to railways. To these may be added the sewing machine and the more recent improvements in the printing press. These several inventors have been great benefactors to the race, and to their names might be added hundreds of others, even if not in fields so extensive. At this day mere physical labor is exceedingly limited, when compared with the vast amount that is constantly being done by means of man's control over the powers of nature. It is well to note, that the knowledge of using to the best advantage this delegated authority over nature, has been the outgrowth of years in quiet but toilsome study on the part of mathematicians and scientists. To the former we can trace the grading and building of railways; their studies of lines and angles and problems of quantities and numbers, enable the engineers to direct the pathway of railroads across the country, over valleys by causeways, bridging rivers, or tunnelling hills and mountains. This patient and accurate mental labor confers upon civilized man innumerable other blessings—witness the engineering skill and labor in supplying our cities with water, or, as seen in the machinery, so effective in relieving the manual toil of multitudes, and in numerous other ways adding to the happiness and comfort of the people. Under a similar division is included the mental labor of the chemist, who reveals so many of the secrets of nature's chemistry, and applies his knowledge for the benefit of man; the same may be said of the geologist, but in ways not, perhaps, so obvious.

37. **An Incident.**—Uneducated people undervalue mental labor, but they can appreciate its results. Tradition tells of a hard-working, plodding farmer who was continually twitting the son of a neighbor, because of what he termed the latter's laziness—saying, "Why don't you love work; to hoe corn or do something?" The boy replied he had no taste for that kind of work; he "would rather make drawings and new things." The boy left the neighborhood; but years afterward, he met the farmer. The acquaintance being renewed, the latter wished to know how he had succeeded *in doing nothing*. The young man parried the question; but casually remarked that he supposed his friend still used the heavy old-fashioned plow with its cumbersome wooden moldboard. "Oh no!" briskly answered the farmer, "I use a plow much lighter and with an iron moldboard; and that plow does more than twice as much work as did the old one, and tires the horses not half so much." The young man remarked, "I invented that plow."

38. **Natural Agents.**—Man commands many natural agents to do his work. These are divided into two classes—the animate and the inanimate. The former was more essential for man's use and comfort in the past than at the present, as in modern times their labor has been in a great measure superseded by other forces. Till within seventy-five years of the present time, with the exception of sailing vessels and boats

floating on the rivers, all transportation and travel was conducted by the strength of animals. In our day, what a contrast we see in the immense trains on our railways, drawn by an inanimate power—steam. While some are loaded with the products of the farmer and the manufacturer, others are carrying multitudes of passengers, and moving at a rapid rate day and night. Previous to this in our own land the horse, the ox and the mule were used, they answering for nearly all the purposes required. The expense of feeding and sheltering these animals was comparatively small, as for the most part, they lived upon the spontaneous productions of the earth. But notwithstanding railroads traverse our whole land and steamboats navigate our waters, we cannot altogether dispense with the assistance of these *animate* forces. The farmer, as a general rule, in his occupation of cultivating the soil, avails himself of the strength of these animals more than any other power. In truth, their labor will never be entirely superseded as long as there are cases where no other force can be made available. It is said, that, although steam power has been so much introduced, the use of the horse in many respects has not been much diminished.

39. **Inanimate Power.**—How limited is the animate power when compared with the inanimate! For illustration, the weight of water turning the mill-wheel; the wind in driving the ship, or in doing other work; and the expansive force of steam—all these man has under his control. There are of course liabilities inci-

dent to these forces—the waters may overflow or be subject to a deficiency; the wind may be variable, sometimes lacking and at others violent; while accidents may occur with steam, though upon the whole it is the most reliable and the easiest to manage, yet it is the most expensive when we take into consideration the cost of the machinery adapted to utilize it, and that of the fuel and the supervision required.

The extremes in power and in accurate work, that are attained by the steam engine, are marvelous. It can with equal ease drive an enormous ship through the waves and storm, or draw a train carrying thousands and thousands of tons; it can also punch an eye in the head of a needle, or make a screw for a Waltham watch so tiny that the threads are almost invisible to the naked eye, or weave a given human countenance in silk. Man's intellect has adjusted the machines to accomplish these ends—the one class strong in combined plates and bars and bolts of steel; the other with combinations of slender pieces, that seem almost instinct with life and mental power, as they perform the delicate operations. These all, with many others of similiar character, aid in enhancing the happiness and comfort of civilized man.

VI.

THE THREE INDUSTRIES.

40–42.—The material products of the industries of man consist of three divisions—the agricultural, the commercial and the mechanical. These are intimately related and dependent upon one another in conferring benefits upon the race, especially on that portion that is civilized and enlightened. There is a far greater number of persons in our country engaged in agriculture than in any other special employment, as for obvious reasons, the well-being of the American people depends much upon that form of industry—the cultivation of the soil. The conditions under which that class of labor is performed, will always require an unusually large number of individuals, as the work is little susceptible of being relieved by the introduction of machinery, except in a limited measure. The farmer of to-day has his cultivator, his steel plow and his steel forks and hoes, and many other implements that are immense improvements upon the cumbersome ones of the last half century—yet all these must be handled by the individual. In harvesting his wheat and hay, he is greatly aided by machinery, and also in threshing out the former and in shelling his corn.

The farmer must wait upon the seasons: he labors in preparing the soil and in putting in the seed, and then, with unremitting care tends his growing crops till they are matured. Owing to these conditions there is little room for division of labor similar to that which obtains so much in other industries, and the facilities thus afforded the latter, are denied the farmer—he must labor or superintend in all the departments of his special industry. He has compensation, however, in being engaged in a health producing employment, and upon the whole one of the most independent, if not as remunerative as some others; and one that should be promotive of good morals in consequence of its being subject to fewer temptations to evil. During a certain portion of the year, from the nature of his employment, he must labor most diligently, while at another he has leisure that does not interfere with his profits, and during which he can have recourse to self-improvement in various ways.

It appears essential in the order of Divine Providence, that in providing sustenance for man and his domestic animals, a very large proportion of those who labor in material things must be engaged in agriculture. The only food man receives, besides what the surface of the dry land produces, is derived from the waters, but the amount of such food is comparatively insignificant. The fishes and other marine creatures that furnish him food, feed directly or indirectly upon the sea-weeds and the grasses that grow upon the earth at the bottom of the ocean, the lakes and the rivers, so that the entire sustenance of man is derived from the productions of the earth itself.

41. **Transportation.**—The material products of man's labor would be of little avail, if there were not means to *transport* them to the consumer. The farmers in the Northwest would value but little their surplusage of wheat, if they had no facilities for sending it to exchange for other commodities which they need for their families. In a similar manner the manufacturers in the East would deem the products of their mills of small value, unless they could send them to exchange for the wheat of the Western farmer. This illustrates the principle of exchange, by which all parties are benefited, and which is accomplished by means of the transportation of commodities from one place to another, near or remote; the expense of which in some cases, as in that of coal, comprises nearly all the cost, since it is comparatively very cheap at the mouth of the mine.

The means of transportation at one time were limited to the hands or the back of the individual, or to the strength of animals attached to cumbersome wagons, or if waterways were used, to the little boat or the small sailing vessel. The contrast is almost inconceivable, when we compare the primitive mode of making exchanges with that of to-day; with the numerous railway trains, enormously loaded and moving rapidly day and night without a sense of weariness. Instead of the original flat-boat on our western rivers, that could float only down the stream, we have the large steamboat, that can pass up or down at the will of man, and in addition the great ocean-going steamers, as well as immense sailing vessels, both classes carrying enormous cargoes—all to make exchanges throughout the world of the products of the labor of man.

42. **Commercial Industry.**—This phase of labor employs in its various relations a vast number of persons, who bring to the consumers not only the products of the agriculturist, but also those of the manufacturer, in order to supply the wants of people, often far separated in the Union, and even in foreign lands. The crowning result may properly be termed *exchange*, by which is meant, the reciprocal giving of the products of the labor of one person, or class of persons, for those of another. For instance, the merchant sends a bale of Merrimac prints or cloths to China to exchange for tea or raw silk. It is plain that the tea of China could not reach the consumer in the United States, nor the former receive the Merrimac prints, unless by means of the industry of the sea-captain and his sailors, and also that the latter could not traverse the ocean, unless the shipbuilder had furnished him a ship, and the rigger fitted it out, so that it could be used in thus carrying on commerce. Notice how much labor is involved in this phase of industry, the numerous classes of workmen; the miners, iron-makers, wood-cutters, and carpenters; growers of hemp and weavers of sail-cloth; the makers of sails with their adjustment; to these is necessarily added

the quiet mathematician, who has exercised his mental power in calculating the nautical tables, while mechanics of more refined skill make the compass and the chronometer, by consulting which the shipmaster is able to reach China and return.

VII.

DIVISION OF LABOR.

43.—48.—In manufacturing there are numerous component parts of the articles made, each one of which must be prepared separately, as for instance the different pieces composing the works of a watch. Experience shows that great skill and facility are acquired, in making any one of these parts, by the workman who confines himself to that one alone. The muscles of his hands and arms become so trained that they obey his will *perfectly*. For illustration: pupils in learning to play music on the piano, labor for a while to educate their fingers to obey their will, but in time the latter become so trained, that, apparently without an effort, they run accurately and rapidly over the keys; that is, they have become obedient to the mind or will of the performer. In addition, by a mysterious influence over the action of the keys, the skillful player can impart to the music the expression of his emotions.

44. **Effect Produced by a Book.**—No doubt division of labor was practiced to some extent long before 1776, when Adam Smith, an Englishman, published a book —*The Wealth of Nations*—in which he unfolded the

advantages of division of labor in manufacturing. This book was read by intelligent men; and the value of the principle was recognized to such an extent, that in the course of time, division of labor in manufacturing was introduced, wherever it was possible, throughout the civilized world. Its introduction led to more system in that business, by which the strength of the weaker employes could be utilized, and the lighter portions of the work assigned properly to young persons and to females, and that which required more muscular strength was given to men. The history of manufacturing proves that the principle of division of labor gave an impulse to the various industries wherein it was applied, while carrying them forward to greater perfection and success. It had also the effect of giving employment to a larger number of persons, meanwhile cheapening the articles produced, and at the same time making them better in consequence of the greater skill acquired by each worker confining himself to one part alone, so that, when the several completed parts were put together, they made the whole perfect. This principle of division of labor, where it is practicable to be introduced, pervades the industrial world of to-day—in the cotton factory, in silk mills, or in establishments producing any textile fabrics, and also in many others in different fields of industry, of which we have not room to make mention.

45. **Illustrations.—The Barrel.**—To illustrate the principle of division of labor we will take an article

that is simple in its construction. The barrel is composed of only three parts—the staves, the heads or ends and the hoops. Suppose a cooper gives his individual attention to preparing all its several parts, before putting them together—*first* the staves, *second* the pieces composing the ends, and *third* the hoops, and *fourth* the setting up of the barrel. It is clear that he could not prepare all these pieces with the same facility as if he practiced on *only one* of them. Thus working he might make, say, four barrels a day. But suppose that a number of men engage in making barrels; one portion prepares the staves, another the heads or ends and still another the hoops, and the fourth puts all the component parts together, thus completing the barrel. This subdivision enables each workman to accomplish a much greater amount of the work on hand. It would follow that the entire product of these combined facilities would be greater in proportion and more perfect, because of the skill acquired in the practice upon one piece alone, than if each workman made all the separate parts first, and then put them together. To make the factory complete and the work systematic, the fourth workman arranges or sets up the component parts of the barrel and gives it the finishing touches.

Let us suppose that, in order to have the finisher fully employed, it would require four men to make the staves; two to prepare the ends, and one to make the hoops, and one to finish the barrel. Under this division of labor, we may suppose that instead of each workman making *four barrels* a day, when he himself did all the work, he prepared one of the component parts, say the staves, for *thirty* barrels, and the four together would do the same for one hundred and twenty. In the *first* case the *eight* workmen, each working alone would turn out only thirty-two barrels a day, but in the *second* when combined in the division of the work the result would be one hundred and twenty. The latter would be better made and finished, owing to the increased skill acquired by each workman confining himself to one part alone. The various component parts of an article thus manufactured, may not be made under the same roof, but often they are prepared hundreds of miles apart. In the city of New York are carriage factories, that have their felloes or rims made in one State; their spokes in another; their hubs in another, and the steel prepared for their tires in still another.

46. **The Loaf of Bread.**—The composition of a loaf of bread illustrates another phase of the division of labor. The farmer prepares the soil, puts in the seed and harvests the crop; he sells the wheat to the miller; another party transports it to the mill where it is made into flour, which is put in a barrel and sent to the depot, and carried on the railway to where it is purchased by the baker, who prepares it for baking, puts it into the oven to be baked, and finally sends the loaf to his customer—the consumer for whose benefit all this time and labor has been spent. Meanwhile the latter has been laboring in some other industry to obtain the means of purchasing the loaf.

47. **Advantages of Division of Labor.**—Division of labor has been found of great advantage when introduced on a large scale; in truth it produces a diversity of pursuits, whose results are combined in a united whole when the work is completed. The more civilized and refined a people, the more diversified are their pursuits, and the better these various departments of production are conducted, the greater are the grand results. In a state of such mechanical progress, no one workman can be perfect in more than one or two departments.

Upon the whole much more work is produced in a given time; the articles are more accurately made and consequently they are better, and, owing to the greater facilities acquired by the operatives, the work does not cost so much labor, and thus they come cheaper to the consumer. Statistics on the subject prove this statement to be true of to-day when compared with the past, and the indications are that these facilities, thus adding to the comfort of the people, are increasing. Wheat-flour is made cheaper to the family because of the reaping and threshing machines; so with the sewing machine—that friend of woman—though when first introduced much opposition was roused against it on the supposition that it would greatly interfere with the opportunities of the sewing-women to earn a living. It took some time for the difficulties growing out of its use to adjust themselves, but soon women had equally as much to do, and to-day they receive better wages than formerly. The sewing machine could do fine and more fancy work and faster than the same could be done by hand; and, in addition to this, the taste of the wearers gradually began to demand more and more of such decorative work. When that feature of dress-making is taken into consideration, and, also, that it takes almost as long time to make a dress having these extra touches, as it did before the era of the sewing machine to make one by hand-sewing, the value of the invention is shown. The machine thus proves itself to be a friend to the sewing women, since higher wages are given for work done upon it, and by its use they can accomplish so much more in a given time.

48. **Evils and Benefits of the System.**—It has been urged that the continual application to one mechanical operation in manufacturing has a tendency to weaken the mental powers. To this objection it is answered that the evil can be guarded against by improving the mind by reading good books or by social intercourse in the hours when the workman or woman are exempt from labor. In addition it is maintained that the mental strain is not so great as often supposed, since the continual use of the muscles in operation soon puts them so completely under the control of the will that very little effort is required, the action becomes almost involuntary, and the tension of the mental faculties is scarcely perceptible, as when the fingers of the piano-player glide over the keys.

It is also stated that physical health is sometimes impaired by overtasking some one muscle or limb, when the posture of the body is strained and thus kept continuously. These objections have weight and must be guarded against according to the circumstances. The great benefits, which accrue to the people at large under the system of division of labor, consist in the articles produced of whatever class *being better made and costing less,* while the advantages that accrue to those who work for wages consist in their having more employment than they could otherwise obtain.

VIII.

CAPITAL.

49–54. We have noticed labor in some of its relations to industries among civilized men. We now purpose to treat of another element that has much to do in this connection as employed in extensive enterprises, and whose influence extends throughout the industrial and commercial world—that element is Capital. Capital is not an original possession or natural gift, but is *the outcome of labor* of some kind and at some time. We have seen that the surplus which a man owns after supplying his individual wants may be termed his wealth. The owner may possess any amount of gold stored in a vault; it is so much wealth, though under the circumstances it brings him no more income than so many bricks. But when he invests this gold in business it becomes *capital,* as it is now to be used in acquiring more wealth. Such being the case, *capital may be defined as that portion of wealth which is employed in producing wealth commodities and in distributing them.* In this sense alone is the word *capital* used in political economy. The amount of capital thus employed may be quite limited or quite extensive, yet, in whatever form, it is included in the definition.

50. **Money of itself not Capital.**—Care should be taken not to confound mere money with capital, as the former of itself does not aid production. It becomes an active agent in producing wealth, only when its *exchange value or purchasing power is brought into use.* In this manner it procures the raw material to be operated upon ; the cotton, the wool, the silk for their respective manufacturing into forms in which they can be used by the consumer. The raw material is as great in importance as it is varied in character, since it is essential in all mechanical industries. The obtaining of the raw material, however, is only a very small part of the service which the purchasing power of money performs. The latter provides the mills, the machinery and the motive power, and the *still greater outlay in the daily wages of those employed.* Thus we see that the purchasing power of money in the form of *capital* has a wide range. Labor is said to *create* capital, but capital indirectly *creates* labor, inasmuch as it affords opportunity for the latter's employment.

51. **The Range of Capital.**—The farmer's land and the implements he uses in cultivating it all come under the name of capital, as defined in political economy. The means of sustenance for the workmen employed or of those who oversee come under the same general head. The railway company has its capital virtually in the road and its equipments—the track, the locomotives, the cars and other appurtenances. It uses money only in its disbursements for wages and other general expenses, yet the active operation of the

road continues to accumulate money, the surplus of which is to be utilized in being converted into more capital when the company enlarges its business or furnishes better accommodations for the people. The surplus may also become the property or wealth of the owners of the road, and each one can use his share according to his individual tastes, but strictly speaking the purchasing power of the money thus expended is not *capital,* as it is not expended to increase production. For illustration: "All the wealth spent in buying, furnishing, and sailing a pleasure yacht is not capital, because its use in that way does not result in the production of other wealth."

52. **Productive and Unproductive Capital.**—Some classes of capital must as such be destroyed, or at least changed in form. A web of cloth is one item of capital belonging to the tailor, as a side of leather may be to the shoemaker, but their forms are changed when one is made into coats and the other into shoes. By this application of labor their original value is enhanced. That is to say, when applied to some classes of capital, labor destroys their present value, but only to increase it under different conditions in the future. On the other hand, some classes remain virtually the same except the wear and tear, which must be repaired as necessity requires; as for instance the grading of a railway, its tracks and rails. Mechanical industries are continually engaged in making changes in the original capital, but at the same time they increase values, that cover the cost of the capital thus changed, and also

remunerate for the labor expended. The capital invested in the raw material—it may be the iron-ore, the coke or coal and the limestone—has been so manipulated, that the material it has purchased appears in the form of steel rails for the railroad, or it may be in the iron of a farmer's plow or the edge tool of a mechanic. This principle pervades the whole field of mechanical industry; *capital* in one form being changed so as to reappear in a different connection, but enhanced in value by the labor that is put upon it. In this way the wealth of individuals increases, and as they become rich, so does the nation.

This, unfortunately, is not always the result, as owing to untoward circumstances, capital may be unproductive; as for instance, when the industry in which it is invested pays no dividend. A railway is built and equipped, but its business only suffices to pay the running expenses, and therefore, it can pay no dividend or interest on the money whose purchasing power built and furnished the road.

53. **Capital—Active or Fixed.**—For the sake of distinctness, capital is often defined as active or circulating, and fixed. The first term is applied when capital is operated upon in the process of production, and the raw material is destroyed in changing its form, as a bale of cotten when spun into thread. In the same class of capital is reckoned the wages paid employes, or what is used for their subsistence; the office of both is thus fulfilled in their being consumed. In this form there is going on a continuous transition or change in

capital until the final product is in the hands of the consumer, for whom the changes have been made. For illustration: the material of the plow, the iron, the wood, the sustenance and the wages of the workmen, etc., belong to the class of capital defined active or circulating, but when the perfected plow comes into the possession of the farmer, it becomes a part of his *fixed capital,* because he can use it year after year, and it does not perish at once in the using. The same may be said of the locomotive, till it is purchased by the railway company and comes into its possession ready for use. We find, therefore, that all *fixed capital* is the outgrowth of the previously existing active or circulating capital—the latter in its province being limited to a single use or operation. All fixed capital, because of continuous use, is liable to wastage, and from time to time requires to be repaired or renewed.

The illustrations to be drawn from fixed capital are unlimited in number, and the pupil for his own mental benefit can exercise his ingenuity in tracing them out—the utensils of the farmer, and the improvements on his land ; the machinery of the manufacturer ; the ship and its rigging of the shipmaster ; the railway and its equipments of the corporation, belong to this class and are subject to these conditions.

"Money is circulating capital, as to the person who pays and receives it, because capable of but one use, for the time, by one person." But when lying idle in the vaults of a bank or of the Treasury at Washington, it may be viewed as the fixed capital of some person or of the Government. However, to draw the defining line perfectly, between these two classes of capital, is impossible under all conditions, since they are so intimately connected that they very often overlap one another.

54. **The Cause of Over-Production.**—In success in manufacturing often lurks a temptation to increase the production beyond the wants of the community;—and the lack of prudent foresight in the owners of capital often causes them to yield to the tempter. For instance: when there is a sufficient amount of woolen cloth made to supply the wants of the consumers, and the capital in that branch of industry pays a fair dividend, and the workpeople receive fair wages and continuous employment, the owners, it may be, wish still larger incomes, and they invest in that business more capital and correspondingly increase the production. They thus show defective business capacity, if they do not take into consideration the wants of the consumers who are already sufficiently supplied by the output of the present mills, when running at their full strength. A similar lack of judgment applies to outside capitalists, who establish new woolen mills, when those already in existence and in operation supply the wants of the community. The latter should take into consideration not only the home market but the foreign. In either case a glut in both markets occurs, and the loss of profit on the stock on hand that cannot be sold, causes a depression in the industry, and, perhaps, stoppage for a time of the mills, with loss of money to the owners and loss of employment and wages to the workpeople. It would have been better if this *extra*

capital had been invested elsewhere, or had even remained idle. In that case the mills would have gone on as usual, the workpeople kept employed at their accustomed wages, the consumers amply supplied, the original capital paying fair dividends—but instead the over-production has retarded the equable onward flow of the industry.

IX.

SKILL AND MUSCLE, FORMS OF CAPITAL.

55–59.—"Capital is always the fruit of past labor saved," says Dr. Wayland. This is a general statement in respect to the origin of capital in the form of wealth, but it applies with equal force to the skill of the mechanic, and to his trained power of using his strength of muscle when engaged in work. To acquire this power he has labored diligently; he has trained his eye and his muscles to obey his will, and this combination constitutes his skill—*his capital*—which power he retains or saves, and which he invests, when he engages in work. Political economy recognizes the medical knowledge of the physician, his trained eye and command of muscle, that enables him to perform a surgical operation, as his *special capital;* in like manner it acknowledges as his capital the legal acquirements of the lawyer, and also that of the theological learning of the clergyman—why not thus recognize the trained eye and muscle of the mechanic? To be sure, the latter is a lower form of acquirement or capital, though it is equally essential in its own sphere of application. The final result is that competent workmen have accumulated an amount of a certain class of knowledge and skill, which they possess as their *special capital,* and it is as truly theirs as the money acquired by the merchant or the manufacturer who invests its purchasing power in his business and calls it capital.

56. **Dividends Derived from Skill.**—The capital consisting in skill does not pay dividends in the same manner that the purchasing power of money does when invested in a corporation or business firm. The latter, though the owner himself may not personally utilize it, remains; it may be as *silent* capital, and thus sustain a share of the business and justly receive a share of the profit. But skill as capital must be used by the owner himself; for from the nature of the case, he cannot delegate to another the authority or power to use it, as can be done with capital based on the purchasing value of money.

57. **The Union of the two kinds of Capital.**—There is an intimate connection between capital as the *purchase-power of money,* and capital as recognized *in skill and muscle.* The one cannot be effective in production, without the aid of the other, as they are mutually dependent upon one another for their common success. If the two classes of capital were united in one individual, there could be no clashing of interests, as they would be blended in the interest of only one person. The mechanic or the farmer, for instance, of limited means, may himself own the capital and also the skill to perform the labor; but if all farmers and mechanics were thus situated the world's progress would be retarded, and in truth, its varied industries would be

reduced to their original elements, and scarcely any advance could or would be made.

In order to establish manufactures of various kinds and on a scale sufficiently large to supply the numerous wants of a civilized people, there must be a coöperation of the two capitals—that of money and that of skill and muscle. To secure the proper result these two must act together, harmoniously ; let neither be governed by selfish principles—that is, one class of capital endeavoring to secure advantages at the expense of the other, instead of both being governed by the Golden Rule. The employers are sometimes accused of selfishly oppressing their employes by lowering their wages and various restrictions ; while on the other hand, it is sometimes charged that the latter manifest little interest in the welfare of the employers' business by not working diligently, or wasting the material, or being careless in their manner of performing the duties for which they are paid. There should be no cause for these recriminations, especially between parties whose mutual interests are so much promoted by their both acting in good faith and in a harmonious and self-respecting manner toward one another. The amount of moneyed capital must be large in order to supply the buildings, the machinery, the motive power, etc., and the numerous other things necessary to carry on extensive manufacturing industries, and in consequence, employing great numbers of workpeople.

58. **The two Classes of Capital Coöperate.**—We have treated of labor under one aspect and also of capital ;

now we propose to notice the manner in which they should be blended in order to produce the best advantages for each. It is evident that in accomplishing grand results the means must be correspondingly great. The single workman can do but little, comparatively, when he is trammeled by want of capital to obtain the requisite raw material and other facilities to promote his object. One individual seldom has sufficient to undertake great enterprises, as they require more capital than one person can usually supply; hence the necessity of combinations of those who have sums to invest, in order that these moneys in the aggregate can supply the requisite amount. Thus companies have been formed to carry on large operations—such as manufacturing, commerce on the ocean or transportation on land by means of railways. The parties subscribing the money become stockholders; and, after having obtained a charter to legalize their corporate action, they employ men whom they deem competent to manage the affairs of the company. These great corporations from their first introduction have, in effect, been stimulants in promoting the varied industries of the civilized world—both mechanical and commercial. The effect is two-fold; one upon those of small means who invest in these corporations and derive interest from their investment; the other upon those *whose only capital is their skill and muscle, which by their having employment, they, too, can invest and receive dividends or wages.*

It is found that very often difficulties arise when the money-capital is owned entirely by one party, and that of skill and muscle by another. To obviate these evils coöperation proposes to unite the two classes of capital in such manner as to make the interests of all concerned mutual, and thus concentrate both interests in a number of the same persons. This would be on an enlarged scale but similar to that of the farmer or mechanic owning in himself both capitals mentioned, in which case there could be no real clashing of interests. Here the money-capital could be put under the control of competent men, and the capital of skill and muscle, which ordinarily is so much diffused, could be also concentrated by uniting individual interests as a whole.

X

PRACTICAL COÖPERATION

59–67. A genuine coöperation is formed when a number of individuals combine to furnish *both the money-capital and the labor-capital.* This arrangement is radically different from a system where in the money-capital is owned by one party and the skill and muscle capital by another. In the latter case, the former pays the wages agreed upon in proportion to the value of the skill exercised, when the owner or workman properly performs the service required. The value of the money-capital is estimated by the use of its purchasing power, while that of the skill and muscle must be estimated on a different principle, such as the grade of skill possessed by the owner, and also, his willingness to use it to its full extent.

An Ideal Arrangement.—On the presumption that all workmen are willing to perform their duty in a conscientious manner, could there not be an ideal standard of *skill-value* established by mutual agreement or by arbitration, that would satisfy the parties concerned? In order to recognize the gradual improvement made by each workman, this skill-value might be readjusted annually. This ideal standard, as to its worth, could be estimated in money-value, say $10,000. That is, *the skill,* acquired by the mechanic after the necessary apprenticeship and study, is of as much money-worth to him in his work as is the skill of the physician in his practice. The skill of the physician is of money-value to him in his practice; in a similar manner, though on a lower level, the skill of the mechanic becomes available to him when he works.

A coöperative plan might be arranged similar to this: That *all* the workmen in the association receive the same fixed wages for a week or month's labor as agreed upon, and for illustration, let the aggregate for the year amount to $500, but in addition each workman would receive at the end of the year, the interest, say at four per cent., *on the money-valuation of his individual skill.* Since there would be different grades of skill, among the workmen these amounts would vary —none however, reaching the ideal of $10,000. The estimates might range from a few hundred dollars up toward the ideal. Suppose one grade receives the stipulated $500 and in addition on their *skill-value* of $6,000 four per cent. or $240, another grade the percentage on $4,000 or $160, and so on. This mode of adjustment would act as a motive for every self-respecting workman to acquire more skill from year to year, and thus improve his workmanship; his ambition would be to reach as near as possible the ideal standard, and in consequence secure more wages or dividends. This stimulant would influence self-respecting workmen of every grade of skill to rise still higher, the way of improvement being open to all.

60. **The Contrast with Honest Work.**—An illustration: we may suppose a company of bricklayers at work on a building, the regulation of their society being, that the standard of work accomplished should be graduated according to that done by the slowest workman of the association. The bricks, in accordance with *the directions of the inspector,* must be placed properly in the wall, and while the skillful workmen perform their portion more rapidly than the less skillful by running up their part to the line long before the latter, and in consequence they can remain idle, till the slower workmen had completed their portion. This mode of action grossly cheats the employer, who pays the wages due the rapid work of the more skillful, but receives in return the aggregate work done by the slower and less skillful. Under such regulations there is no inducement for the mechanic to become any more skillful than simply to obtain employment ; if he were at first an honest man, such influence would soon make him dishonest, in receiving wages for work which he never performed ; meanwhile, the general effect would be morally injurious and degrading to the self-respect of the workmen.

61. **The Good-will between Capital and Labor.**—It is essential for the perfect success and advancement of industries and general prosperity of both parties, that there should be genuine good-will between capital and labor. The former can produce absolutely nothing without the aid of the latter, but with such aid an immense amount—all that is needed to promote the

material comfort of the people at large. Injustice on either side will come back in retribution—the non-paying of fair wages is a wrong on the part of the employer, and it is equally a wrong on the part of those employed to shirk their work; that is, not in good faith performing a full day's labor; or to take advantage of a pressure, financial or otherwise, upon the employer to demand an increase of wages, and if it is not complied with to stop work, when to the former it would be specially injurious. The act of seizing such an occasion, even if the demand in itself were just, is a form of extortion, and engenders an unkind feeling between the parties, which must be injurious to both. To act in accordance with the Golden Rule is for their mutual interests, and that should be an inducement to reciprocal good feeling.

62. **The More Capital, the More Advantage to the Wage-earner.**—In the present state of civilized society, to carry on enterprises sufficiently great to satisfy the demands of the people, there must be invested immense sums of capital in land, in the machinery and the necessary equipments for manufacturing on an extended scale, as well as in mining, in transportation on land by means of railways, or by water in ocean-going vessels. After these are provided, there are millions of hands, from the stalwart man to the delicate girl, that are ready to aid in the great and varied work of making this capital available. *Justice demands* that these myriads of workers should have due reward for their toil, and, also, that the capital

invested should have its reward—both rest upon the same basis of right; one for present work, the other for the fruit of former labor. In the order of Providence, it can never be otherwise than that the vast majority of the people must earn their living by some form of labor, it may be manual, or it may be mental or a combination of both—the prime necessity is labor in some form. If all were capitalists, it would be the next worst thing to all being mere workers. It follows from this that *capital limits or extends labor*—that is, it gives opportunity for the employment of labor, and thus promotes industry. The two must act together harmoniously to be mutually benefited. When we take into consideration the much greater number of those who earn a living in the form of wages by their labor than of those who own capital, it is evident that the latter invested in such manner as to give remunerative employment to large numbers, confers upon them much greater benefits in proportion than upon the few who own the money-capital. Hence the more capital that is judiciously invested, the more benefit accrues to the great majority of the people. It not only affords opportunity in giving employment to this majority, and thereby improves their social condition and comfort by means of living wages, but it likewise enhances the prosperity of the whole community. To accomplish this grand result, *habits of temperance and economy,* which of themselves are a great gain, are required.

63. **Honest Work and Ample Wages.**—There is another element that enters into success in every kind of

industry, where there are employers and employes—that is the principle of *honest work, and for it, ample remuneration.* This is based upon justice being exercised by both parties ; for the obligation to deal justly is equally binding upon both and no reasoning to the contrary can change these eternal principles of right. When the *possessors of the two capitals* thus act harmoniously, the benefits conferred upon the owners are equal in producing success ; nor should there be room for envyings and unkind feelings. We are prone to think our own troubles greater than those of our neighbors, and yet, if we could have the opportunity, we would not exchange sorrows with them once in a thousand times. Diversities of temperament are liable to produce differences of opinion, and these often lead to disagreements that are injurious to both parties, and yet the relation of employer and employe has some compensations. The workpeople have not the mental wear and tear of the owners, who must undergo a large amount of anxiety which is unknown to the former. The employes, however, are deeply interested in the success or failure of the corporation that employs them, as *their capital* of skill and muscle is liable in the latter case to be thrown out of employment, though their responsibilities extend no further, while the money-capital may be liable for debts.

64. **Mind is the Director.**—The more advanced men become in knowledge, the more are they able to avail themselves of the powers of nature. The Creator has constituted these powers in such manner, that man by

proper study and effort can ascertain their qualities and utilize them—one generation accepting as a legacy the acquired knowledge of the one previous, while it is itself passing on to still higher attainments. Ages were taken in experiments before the ingenuity of man was able to construct the clock, and thus use the power of nature known as gravitation, and so to combine its mechanism that the force, used only for a few moments in winding up the weights, could be made to keep time, and be distributed over eight days. Much more ingenious and complex is the mechanism of the watch. The intellect of man in innumerable instances has made the forces of nature available, and in connection therewith has constructed machinery to accomplish ends as numerous as they are diversified.

65. **Education and Coöperation.**—There are in comparison with the whole number of the people very few inventors, perhaps not one in ten thousand, but to use their inventions and make them available requires a certain amount of education in the workman or workwoman. The mind must act, and the better trained it is, the better can the work be done. To conduct coöperation requires more knowledge among the workmen than when they are merely employes. They should have broad views of the common interests that are involved. The ignorant, in consequence of their lack of knowledge, are more suspicious than the intelligent, and they have often an indefinable feeling of distrust of those who know more than themselves. This ignorance makes them narrow-minded and appre-

hensive lest they should be imposed upon, and a sort of *caste* feeling grows up, for which in one sense at least, there is no reason, especially in our country, where all are on a *political equality*. An education inspires respect, as it enables the workpeople to understand the relation they sustain to their employers or, if in coöperative unions, to their fellow-members, as to what are their rights. It follows from this that it *is sound wisdom* for the government to give a common-school education to all its youth—male and female—in order that they may be able, if nothing more, to labor intelligently and profitably.

It is assumed by some writers on political economy, that to aid one's self or satisfy desires is the mainspring of human effort; this may be true, but it should not mar the truth that with it should be connected a respect for the rights of others, when endeavoring to secure for themselves the rewards of their labors. With us as a nation, it is peculiarly proper and expedient that all classes—those who work for wages, and those who have other means of support—should be intelligent, as all are on a *political equality*, and by their votes elect their law-makers—from the highest to the lowest in the land. With this education should be intimately connected correct principles of morals as an element of success in the general advancement of the material progress of the nation. Such advancement depends upon the industry and frugality of the people themselves, whose intelligence should be united with the force of a just and righteous public opinion, the latter being the outgrowth of an unconscious influence of correct moral sentiments that should pervade the minds of all, that is—*the owners of both classes of capital.*

66. **Morality and Coöperation.** We have seen that it is essential for success that the members of a coöperative association should be sufficiently intelligent to understand their mutual relations to one another, and thus have proper views of their common interests, and that these are best promoted by a straightforward and honest purpose pervading the entire association. Mutual respect between individuals must be the outgrowth of each one's self-respect—a sentiment that leads to *honesty of purpose,* and the application of the Golden Rule. Under such influence the work of whatever kind would *be honestly performed* by those who labor, while the management of the concern would be conscientiously conducted. It is only in the spirit of this high-toned morality, that such associations can prosper ; when every member shall be industrious in performing his or her specific duties, and practically manifest as much interest in the affairs of the association as if they tended alone to their own individual benefit, though each one's share may be only in proportion to the number of members. This principle of action is not inconsistent with the strictest application of justice to each one's self and to his or her fellow-members. It is more important to success for the members of such association that they perform their duties faithfully as workmen, than it is when the money-capital is held by one party and the

labor performed for wages by another, because in the latter case, the management can in self-defense dismiss the delinquent at will.

67. **The Social Element in Coöperation.**—The social advantages of coöperation on the plan suggested, are of very great importance to the members as such. Being thus united, all concerned are stimulated to aim at excellence in workmanship; being also on an equality and having a share in the aggregate money-capital invested, while their skill and muscle, their own *special capital,* is also invested by being employed. This influence, when it pervades the entire association, has a tendency to raise its members to a higher plane of intelligence and social dignity. Political economy recognizes the importance of the intelligence and the moral culture of the workpeople, as well as of that portion of the community who are not engaged in manual labor. In our country the people choose their own legislators; the latter partaking in a great measure of the moral characteristics of their direct constituents—that is, of those who voted for them.

There are under ordinary circumstances much greater facilities for self-culture among the membership of an association, than if as individuals, without any special union of interest, they worked together for an employer, but only for wages. In their collective capacity as members of a coöperative association, their facilities for self-improvement are immensely increased; they can have libraries in common, lectures and amusements, and other forms of mental culture and moral instruction. The grand success must depend upon the steady industry of the members themselves, and the skillful and honest management of the business of whatever kind belonging to the association. It specially requires a high grade of wisdom and of integrity in all parties concerned, to conduct to a satisfactory issue the industries and financial affairs of a coöperative association.

XI.

TAXATION.

68–77. In connection with every government, are numerous expenses for which provision must be made. This is usually done by means of taxes levied upon the property of the citizens ; the rate per cent. being determined according to the amount required. The industrial success and happiness of a self-ruling people depend very much upon having a government, under which the rights of the citizen, both civil and religious, are respected and guarded, property secured to its owners, and the way for effort and self-support open to all. It comes within the province of political economy to treat of the subject of *taxation*, and of the best means to secure the requisite amount of funds, with as little inconvenience as possible to the citizen.

Taxes are imposed in different ways and, often, for distinct purposes—some are direct, that is levied on the property, and paid to a collector ; some are in the form of licenses or permissions to engage in certain kinds of business, and some are paid indirectly by the consumer, as when he purchases an article of foreign manufacture which has already paid duty to the government. We shall in order, first, notice the two most important of these taxes, because of their comparatively large amounts—the direct, levied upon land and its improvements; and the indirect, imposed as a duty or tariff upon foreign property when imported for sale.

69. **Expenses of two Governments.**—When George Washington was inaugurated President in 1789, we began our national life, but under two independent governments—that of the United States or National, and those of the original Thirteen States. It was important that the funds to defray the expenses of these two separate governments should be obtained from different sources, and, also, in the interest of financial harmony, that they should not come in conflict. Providentially, there were at hand two sources of income that were independent of one another.

In adopting the Constitution of the United States, previous to the practical inauguration of the National government, the people of the several States, by their own vote, delegated to Congress or the incoming government, the entire control of their affairs with foreign nations. In consequence it was deemed expedient and fitting that the latter government should derive its support from the duties levied on the *merchandise or foreign property,* which, in the form of importations, should be brought into the country for sale. On the other hand, the tax derived from real estate or land, and the improvements thereon, was designed to defray the expenses of the State governments. It was thus recognized, that a case of silks or a ton of iron was as much property as an acre of land, and that they both ought to be subjected to taxation, in order to pay their share of the current expenses of the respective governments. This is the general theory on the subject; though it was wisely ordained in the Constitution, that in cases of emergency the National government could resort, also, to an internal revenue tax. It has been compelled occasionally to adopt the latter expedient to obtain funds in cases of extraordinary expenses such as those incurred by war, but otherwise, *the import duties* have hitherto furnished sufficient revenue to defray all its current expenses.

70. **The two Modes of levying Taxes.**—There being, as just stated, two independent sources of income, the student will note the manner in which the two governments, respectively, derive their revenues. The usual mode of levying and collecting taxes for the use of the State is quite simple in its operation. The value of the property to be taxed is first estimated, and, when the amount of revenue required is known, it is easy to determine the rate per cent. which will produce that amount. If there should be a deficiency, the proper authorities can easily increase the rate per cent. in porportion. In contrast with this direct and simple method of raising revenue by the States, is the indirect one, so complex in its adjustments, which in their application often embarrass the National government in its efforts to obtain funds for its own support. In respect to the latter, are many contingencies; for instance, among imported manufactured articles, are often found numbers of the same classes that we ourselves make. It follows that the tariff or duty

imposed on such foreign property when imported for sale, ought to be so adjusted as not to injure *the similar classes of industries of our own workpeople, nor depreciate the value of the Money-Capital invested in such manufacturing.* These two parties each have equal claims to right and justice. The National government having control of this source of revenue often has difficulty in solving the problem—how to levy the tariff in order to secure the requisite amount of funds, and at the same time afford ample scope to the progress of the mechanical industries of the people. The tariff must not be so high as to exclude foreign merchandise altogether; in that case there would be no revenue: on the other hand, if no tariff was levied at all on *imported property*—that is under free trade—the result would be the same—no revenue.

The American people cannot afford to adopt either of these modes, as in both cases the support of their two governments would have to be borne by direct taxation in some form, while under the second mode the immense amount of foreign property imported for sale would be exempt from bearing its share of the public expense. Neither on the other hand, should the government impose a tariff at a rate so low that European manufacturers, in consequence of the low wages paid their workpeople, could undersell the Americans even in their own markets, and thus deprive them of their just reward or profit. The latter would be compelled to withdraw from this unequal foreign competition, or lower the wages of their workpeople—the main item of expense—to a level with that paid abroad. In that case the home industry would be ruined, the capital invested virtually lost, and our own workpeople thrown out of employment. These evils the National government should avoid by adjusting the tariff so as to secure the required amount of revenue, and at the same time put no obstructions in the way of promoting our own mechanical industries.

71. **Third Mode.**—There is also a mode sometimes proposed of adjusting the tariff in such manner as to secure the greatest amount of revenue, thus treating as secondary the other interests involved, such as the wages of the workpeople, and the just profit of capital invested. Under such conditions the tariff is used only as an instrument for obtaining revenue, and the National government assumes the *rôle* of a tax-gatherer alone—that is, obtaining revenue is virtually the primary object, while the promotion of the mechanical industries of the Nation is deemed only secondary. It is the privilege, however, of a wise and just government to protect the interests of all its people on the principle of the greatest good to the greatest number—the latter in the United States being undoubtedly, those who labor for wages. The highest type of statesmanship will legislate on such subjects not only to secure sufficient revenue but at the same time to encourage the industries of the people.

Let the student carefully bear in mind that the direct tax, derived from real estate and personal property, is for the use of the citizens in bearing the expenses of their respective State governments; while the revenue —an indirect tax—derived from a tariff on imported property brought in for sale, overlaps the States and benefits all their citizens collectively, by furnishing funds to defray the expenses of the National government—the common heritage of all.

72. **The Key to the Adjustment.**—Political economy can only suggest general principles of action, since conditions are liable to vary from time to time. As a rule the raw material and the various appliances for manufacturing cost less in Europe than in the United States, while there is a much greater disparity between the two in respect to the wages paid operatives or workpeople—the latter being by far the greatest item of expense. On a medium average the wages paid by the European employer is *sixty* per cent. less than that paid by the American; that is, when the latter pays one dollar the former pays forty cents. These rates may vary, occasionally, in certain localities, but in the main the average is correct, as derived from statistics.

It follows from this fact that the key to the situation must be in so adjusting the tariff that foreign goods cannot be imported and sold in our markets in unfair competition with similar productions of our own. That principle being adopted, the foreign manufactured article when laid down in our market would have imposed upon it, in addition to its first cost, a duty, based on this difference in wages, sufficiently high to make its cost equal that of the similar American products. This arrangement would place on fair and equal terms in our own market the competition between the European and American manufacturers, while at the same time securing the required revenue and affording our own workpeople employment at living wages. The student will carefully bear in mind, that this tariff is imposed upon the foreign made article, because it is property brought in for sale and which, as such, ought to bear its portion of the expense of the National government, and also that the benefits thereby accruing to the advantage of American manufacturers and workpeople are merely incidental.

73. **The Key Applied.**—An example may illustrate the principle. An American manufacturer produces a certain number of yards of dress silks, which he places upon the market of his own country. Their first cost in consequence of the high wages he has paid his employes, is, say, *one hundred and fifty dollars.* But side by side with his silks is laid down in the same market an equal amount of European silks of the same quality, whose first cost is only *ninety-seven dollars,* owing to the low wages paid the workpeople who made them. The average duty on dress silks is, say, fifty per cent., and when the foreign silk pays that duty, its cost equals the first cost of the American, and the market is open fairly to both parties to sell at whatever rate of profit they choose. This duty of fifty per cent. does not aid, in the form of money, the American manufacturer and his workpeople ; it only enables them to meet their European rivals in their own market on an equality, as to the cost of their respective silks. Thus far and no farther

the tariff protects the domestic manufacture by affording it an equal chance to compete on American soil with the low wages paid abroad. Meanwhile the *fifty* per cent. on the original value of this silk property brought in for sale, goes toward bearing the expenses of the National government and thus far benefits all the people.

74. **The Question and Answer.**—It may be asked if European silks can come into our market so much cheaper than Americans can afford to make them because of the higher wages paid by the latter, why not have silks imported without imposing any duty at all, and let the people have the negative advantage of buying silks that much cheaper, rather than the positive benefit of applying the duty imposed toward bearing the expenses of the National government? In turn it may be asked, if that principle be correct, why not apply it to all manufactured articles made abroad? The answer is, if that were the case, the Americans who are capitalists, would not invest under such conditions in manufacturing at all and those who might wish to work in mechanical industries could have no such employment; and in addition the National government would have to resort to direct taxation. Under such circumstances, the people would not have the means to purchase silks nor any other imported manufactured articles; they could only barter among themselves. In justice to the American employes the cost of production in Europe and the United States should be equalized by imposing a tariff sufficient for the purpose on the foreign made article, rather than

by lowering the former's wages to the standard of the workpeople of Europe. Under the condition of lack of employment, it is evident that the American workpeople could not have the means of purchasing these foreign manufactured goods, by exchanging the products of their own labor, though the foreign goods might be deemed cheap. Such would be the actual result and in addition our immense natural resources would, to a great extent, remain undeveloped.

75. **The Railroad President's Views.**—Another phase of the subject may be illustrated by the answer of the president of an important railway, when asked if it would not be for the pecuniary advantage of his road to purchase steel rails from England free of duty, rather than use the equally good American. The answer was: "No; it is better for the earnings of the road to purchase home-made rails and pay the proposed enchanced price per ton; because their domestic manufacture, taken in connection with the other industries necessary to it, would increase the business and the earnings of the road far more than the extra amount saved by the lower price. In addition, the good effect, if any at all, of the purchase of the rails at the lower rate would be only temporary, while their domestic manufacture would in consequence promote many industries that would become permanent, and thus continue to affect favorably the earnings of the road."

76. In this condition political economy recognizes the expediency and judicious policy of a tariff on

imported goods being so adjusted that those articles which are deemed luxuries should bear a *greater* duty in proportion than those that pertain more generally to the comfort of the great majority of the people. Fine textile fabrics of different varieties for clothing, such as the finest laces, shawls and cloths and elaborately made silks and velvets; precious stones and other high-priced articles in numerous forms for ornamentation in private dwellings, also superior wines and other spirituous liquors, are all specially recognized as luxuries, and are purchased only by the wealthy. Though on these classes of merchandise the tariff is high as well as the price, the latter is cheerfully paid by those who wish to enjoy the luxury which these articles afford. The comparatively heavy duties on such foreign imports are paid by the wealthy, who have their compensation in the pleasure which their possession affords. The duties on luxuries thus supply an unusual amount of funds for the support of the National government, and so confer a benefit upon all classes of the American people.

77. **Other Taxes Required.**—In addition to the two principal taxes that we have noticed are others which are levied on occasions for special purposes, such as the internal revenue by the United States government. Cities, also, impose special taxes in order to defray their expenses, which are often heavy, because municipal governments require an unusual number of officials to supervise the various departments that are necessary to promote the comfort and protection of the citizens,

such as water-works, the fire department, lighting the streets, and the protection of the citizens by a police force. The State also imposes a tax for the support of public schools. Taxes are paid likewise in the purchase of licenses for permission to engage in certain kinds of business, such as that of selling intoxicating liquors. This is designed to regulate the traffic, since it is injurious in its influence, and it would not be wise to leave it to the option of any one to enter upon the business.

Taxes are collected in different ways. Those imposed upon manufactured spirituous liquors are paid by means of revenue stamps that are affixed to the vessel containing the liquid. Some States levy a poll-tax on each individual male citizen; others tax personal property when it comes under the class of luxuries, such as carriages and horses, and other articles that are more for ornament than utility. Under the head of personal property are reckoned securities of various kinds, and also incomes. There are, however, many difficulties in collecting an income tax. The temptation to conceal the real amount of their income is too strong for men whose conscience is somewhat elastic, and they shirk their duty, while the upright honestly pay their tax. This mode works unequally, and the honest suffer, though the dishonest suffer still more by vitiating their integrity and self-respect, if they have not already parted company with them.

XII.

A PATERNAL GOVERNMENT—AND ITS LEGISLATION.

78–84. An illustration of the manner in which our National government should care for its own people may be drawn from what public opinion in a Christianized community demands of the head of a family. The head of a family is expected to provide for the wants of his own household, and to maintain its rights in the face of adverse circumstances. In like manner the National government in its paternal character guards the liberties, civil and religious, and the industrial interests of its household of sixty-five million people. As the upright father deals justly with those outside his family, so should our government be guided by the Golden Rule in its treatment of other nations. Meanwhile, let the proverb that, "charity begins at home," be recognized as applying to the Nation as well as to the family. True and comprehensive statesmanship will make the obtaining of revenue from import duties secondary to the promotion of the corresponding industrial interests of the country, and will so legislate that three-fourths, if not more, of the adult population may have employment at living wages. Such would be the record of a government known only by its blessings.

79. **A Phrase that Misleads.**—The plausible phrase, "Buy where you can buy cheapest, and sell where you can sell dearest," often misleads workingmen. On the other hand, genuine economy suggests, "Buy where you can pay easiest." Honest men deem it is as important to pay as it is to purchase, and, therefore, with them to buy is also to pay. This phrase, moreover, applies to the exchange of the products of labor, and not to labor itself; for instance, American wheat and cotton can be practically exchanged for the silk and fine cloths of Europe. On the other hand, our wage-earners in our great industries have only one commodity to exchange for what they wish to purchase, and that is their individual labor or the wages derived from it. But they can obtain employment only in their own country, not abroad. For this reason, the home market is more important to them than the foreign.

80. **Judicious Legislation.**—Judicious legislation enables the American people to act of their own free will in respect to their industries, and encourages competition at home among their own manufacturers, rather than between our own and foreign manufacturers. Here is a wide domain, in which sixty-five million people whose varied and numerous wants are, for the most part, to be supplied from their own resources. Their desires are multiplied because of their being on a comparatively high plane of education, which, in the main, receives its impulse from the common schools.

They are also accustomed to the comforts of life, since they are able to obtain them at fair prices by means of their labor at fair wages. The consequence is, that in the aggregate they require a higher grade of articles to satisfy their ordinary demands, and the result is, these millions with their facilities for earning wages afford an immense home market for their own industrial products, which are increased and varied in such proportion as to satisfy their mutual wants. A population thus constituted will have almost an infinitude of desires to be gratified. After that is accomplished, the surplus products are sent abroad to be exchanged for whatever the people may desire; it may be high-priced luxuries in various forms, or products of foreign lands, which they themselves cannot produce owing to climatic influences, such as tea, coffee, chocolate, and the spices of the tropics, all of which are essential for the comfort of the household. The usual surplus has been found sufficient thus far to obtain these desirable commodities.

81. **High Wages and Savings.**—True economy reasons that it is better for workpeople to have high wages and pay higher for what they need, than have low wages and buy cheaper in proportion. Under this condition, unless unusual mishaps occur, they ought to have a surplus at the end of each year, which, in the nature of things, would be higher with high wages than with low. The tendency of competition in the United States is to lower the price of manufactured articles necessary for comfort more than that of labor,

and thus it is found that in consequence of home competition, domestic manufactures are made at fair prices. No other workpeople in the world appear to have so great an amount of their earnings deposited in savings-banks as the American, which is evidently the result of industry, economy and temperance, as well as of their receiving higher wages than are paid in Europe.

82. **What Governs the Price?**—To illustrate, suppose the railways in the United States require twelve thousand tons of steel rails, of which the American manufacturers can furnish eight thousand at the rate of, say, forty dollars a ton, the price being graduated by the cost of production, the prominent item in which is the *fair rate* of wages paid the workmen. To supply the deficiency, four thousand tons must be obtained abroad. The English manufacturers, for instance, can put the same class of rails on the American market at twenty-six dollars a ton, owing to the low rate of wages paid their workmen. It requires no more heat nor fuel to smelt the iron ore and make the rails in England than in the United States, while the less cost in the former of providing the fuel, the machinery, etc., may be assumed to equal the extra expense of freightage across the Atlantic, so that the rails can be laid down in our market at twenty-six dollars a ton—the cost of their production. The government now interposes, and levies upon each ton, as property brought in for sale, a duty of fourteen dollars; thus making the two classes of rails equal in cost, the American

rails being the greater in quantity evidently regulate the price, and the duty of fourteen dollars is appropriated as revenue to aid in defraying the expenses of the National government. By this policy the wages of our own workmen are kept up, and we are also able to utilize our own resources of coal and iron-ore.

83. To illustrate farther: the price of the steel rails is not increased to the American consumer beyond what is fair in the cost of production, for, in the natural order of things, the greater amount in the market regulates the current price. The many million bushels of wheat produced in Dakota fixes their price, and not the comparatively few pecks raised in Maine. The sixty-four million tons of bituminous coal taken in one year from the immense deposits in the Union determine its price, and not the comparatively few scuttlefuls imported from Nova Scotia. Thus the home production, when it is the greater in amount, determines the price to which the foreign article is made to adapt itself by means of a judicious tariff, and thereby the right of our own workpeople to enjoy living wages is recognized and protected.

84. **Mode of Living.**—The standard of living among the workpeople of the United States is much higher to-day than ever before—this may be said especially of the natives born of natives—and with it is induced a higher tone of self-respect, since they are on a political equality with their employers, a relation, strictly speaking, that obtains nowhere else in the world.

They have become accustomed to the liberal use of good, substantial food, and to having suitable clothing and to comfortable homes, which they very often can and do render attractive by tasteful adornments. It is natural and right that they should wish to perpetuate these comforts, which are luxuries to their work-brethren beyond the Atlantic. The standard of living has its variations, yet in the main it is gradually becoming higher in tone as the people advance in education and refinement. All that the American work-people ask of legislation is that it does not discriminate against their interests, but gives them a fair chance to compete among themselves for success rather than with cheaper foreign workmen, and they will trust their own energy and skill to secure a competency. There can be two classes of competition within the United States; the one domestic, among our own manufacturers in their various lines, and the other the foreign competition—that is, when manufacturers from abroad place in our own market articles similar to those made in our own land. Under these conditions the competition becomes equally fair for both parties to put their selling price at any percentage of profit they choose. The domestic manufacturers can thus compete with one another, and to this fair competition they generously admit on *equal* terms the foreign competitor. The revenue is secured to the National government, while in respect to the selling price, either party can exercise his own judgment.

XIII.

WAGES.

85–90. **Different Names for Wages.**—The term wages is usually applied to the compensation for the labor of those who are hired by an employer; the former having no interest in the business other than to perform their duty as employes, and receive their pay for the same. The class of workers who have but little skill are much greater in number than the skilled and are usually engaged by the month, the week, the day, and under certain conditions, by the hour or by the job. There are, also, other classes of employes of a higher grade of intelligence and mechanical skill, who receive corresponding wages for service performed. They are found in the employ of corporations for carrying on extensive business, such as manufacturing, mining, and in the various modes of transportation by sea and land. There are presidents, secretaries, superintendents, clerks, bookkeepers, etc., to perform whose duties requires more education and mental exertion, and who are under a greater responsibility. Their remuneration is classed under the head of *salaries;* and they are engaged usually by the year. In this class are also included teachers, clergymen and civil officers. Lawyers and physicians receive their wages under the name of fees. Still another class who act as agents, frequently receive their remuneration in commissions on the amount of merchandise they may sell.

In mechanical industries the workmen sometimes do piece-work and receive their compensation accordingly. Upon the whole, the fair remuneration for labor in all its forms becomes a difficult question to solve, as there are involved so many diversified interests pertaining to employers and employes.

86. **Real and Nominal Wages.**—There are many contingencies connected with wages, and in consequence, distinctions are made as to real and nominal wages. Nominal wages is the price of labor, simply expressed in money ; while the real wages are estimated by the amount they will purchase of the necessaries of life, or even of luxuries, which add to the comfort of the wage-earner. Circumstances often occur when the nominal wages—that is, so much money—will not purchase a corresponding quantity of the commodities that the workman may wish for his family, because the latter have advanced in price, while the wages have remained the same ; sometimes the reverse of this occurs, when prices of commodities have become lower. The rate of wages appears to change more slowly than the price, be it high or low, of the necessaries of life. Thus, after the discovery of gold in California (1848) the food products rose much quicker in price than did the wages of those employed. The former was caused by the sudden influx of gold, which thereby became cheaper, and so more of it was required to pur-

chase a bushel of wheat; but gold was the standard by which the nominal wages were estimated, and in consequence the same amount of wages could not buy as much wheat as formerly. In time these discrepancies adjust themselves; both parties, the employers and the employed, are tenacious and equally slow to make a change. The one when wages are low oppose a raise; the other when wages are high resist a reduction.

Another instance of this kind occurred soon after the close of the Civil War, when the expansion of the currency had caused a great increase in the cost of living. The employers desired the old rates of wages to remain. Meanwhile a change in their rate was progressing till eight or ten years later that rate had reached a high point; but already a change in prices had taken place, and the profits of manufacturing had fallen off, while the cost of living had greatly diminished. The employers to save themselves wished to lower their expenses by reducing the price of labor, but the workmen now strenuously opposed any change in their rate of wages, and for that purpose sometimes resorted to a strike. There appears, in theory at least, only two remedies for the peculiar evils incident to fluctuations either in wages or in the price of commodities. One is by means of a sliding scale by which the rate of wages is graduated by the selling-price of the article manufactured, the other by genuine coöperation, where both the capitals of money and of skill and muscle are mutually interested in the general prosperity of the corporation.

87. **Evils of Speculation.**—Sometimes other influences cause the prices of commodities to rise, though such rise may be injurious and outside the natural order of trade. This occurs when speculators bring about an inflation of prices by securing a large amount of some commodity—as wheat for instance—and withholding it from market in order to induce a scarcity of the article, and thereby enhance the price and secure to themselves the profit even at the expense of the people who are in want of the food. This great wrong is carried out much more easily in respect to commodities which are the product of agriculture, since their deficiency cannot be supplied by production in less than a year, but in the case of manufactured articles, the evil can be remedied in a comparatively short time. Though speculation may for a brief time stimulate production, and thus incidentally increase wages, such advance is short-lived; reaction soon occurs, and in the end it is injurious to the workmen themsleves. Speculation cannot increase wealth; for what one speculator gains another loses.

88. **The Mode of Payments.**—It is proper to notice the manner in which payments are sometimes made for labor. Though the contract in respect to the wages may be reckoned in money-value, there are often contingencies that interfere with the purchasing power of the stipulated wage-price. For illustration, if the workman is employed by a corporation that also has a store, he may be obliged by contract to buy his household necessaries by means of orders on the store,

instead of receiving his wages in money, and purchasing for cash wherever it is for his advantage. In the former case he is liable to be imposed upon by having to pay exorbitant prices. In many instances the laws of the State come to the relief of the employe, and ordain that the payment of his wages shall be made in money, and then he is at liberty to make his purchases where he pleases.

89. **Conditions that Affect Wages.**—There are many circumstances that affect the wages of those who engage in mechanical industries. Some trades can be carried on only at certain seasons of the year; for instance, brick can be made only in the summer; neither can bricks or stones be laid in a wall in very cold weather lest the cold should freeze the mortar and destroy its adhesive property. Many industries can be prosecuted within doors, such as that of cabinet-makers, carpenters or shoemakers, etc. Those who work at trades that can be carried on only about nine months in the year, such as bricklayers or stone masons, usually receive more wages in proportion for the time being than those who have employment during the full year. Both classes must live for a year on the wages thus earned, the one by working nine months the other by working twelve. The advantage in the main is with those who have continuous employment. Though the wages received may be somewhat less day by day, yet in the aggregate it is better, since the workman has regular occupation for the year, and is more likely to acquire habits of industry.

An employment that is pleasant in its surroundings does not command as high price as that which is disagreeable, unhealthy, or dangerous. Men would prefer, even at lower wages, work that is in accordance with their tastes to that which is repulsive. As a general rule, miners who work underground demand and receive higher wages than those who work on the surface, though the former have no more skill nor make greater exertion. Some kinds of employment require a longer apprenticeship or preparation than others. The former justly command better wages, there being in that case fewer competitors in consequence of the limited number who are willing to make the proper exertion for qualifying themselves. Certain mechanical industries require an unusual amount of skill and muscle and mental ability, and to prepare for such positions often takes years of toil, to undergo the drudgery of which, only a few comparatively are willing. In consequence the wages of that class of workmen are high.

90. Wages are often affected by the relations existing between the employer and the employed, as when the latter is a confidential clerk, and likewise when upon the carefulness of the employed great interests of property and even of human safety depend, as in the case of the engineer who superintends the engine in a manufacturing establishment, on a railway train or on board an ocean or river steamer. In a community where the range of industries is very limited, the wages are correspondingly low. On the other hand, where a

large number of industries are carried on, there is greater room for employment, and in consequence, the wages will be higher.

Political economy suggests that a great diversity of employments in a community would stimulate its members to greater exertion in order, in a proper and legitimate way, to secure good wages. This diversity has the effect of elevating the industrial tone of the whole community and rendering its members in a measure more intelligent by directing their attention from one phase of industry to many. Such conditions would induce a greater diversity of thought among the individual members of these various industries, and excite an interest in one another, more than if they all took the same monotonous path in their occupations.

XIV.

WAGES CONTINUED.

91–97. **Intelligence an Element of Success.**—It is essential that a well-equipped workman be able to read and write as a means for progressing rapidly in skill in whatever employment he may be engaged. The better his mind is trained the more successful will he be, and the more certain of remunerative wages. He will be the more competent to fulfill his duties as a mechanic, if with his intelligence and skill he unites diligence in his work, and economy and temperance in his habits. He will take pleasure in mastering the intricacies of machinery, and will be on the lookout for improvements and ready to utilize them when presented by others. He will not drone from day to day in a dull, stupid longing for the time to pass, but will spend the hours of labor cheerfully, realizing that he is much happier when performing his duty in his regular vocation. It is remarkable that in the United States very numerous improvements have been made in machinery at the suggestions of our intelligent workmen, while in addition almost unnumbered original inventions have been produced by the same class. Such men command good wages and are a blessing to their country.

It is a pleasure to every patriot to note the interest that is more or less pervading the instruction in the public schools in some of the States in training pupils to use their eyes and their hands. Such knowledge will have an important bearing upon the next generation of mechanical workers. The pupil thus taught acquires the habit of observation, and he easily trains his hands to obey his will in his work, and in consequence he the sooner becomes an expert workman. When a pupil qualified in this manner enters upon learning a special trade, these habits aid him immensely in making progress. Young men thus started in their duties of earning a livelihood are encouraged by the expectation of success. They labor cheerfully and their time does not hang heavily on their hands. The hope of reward applies more especially to American youth, since to them the path to success is open, if they themselves perform their duty. They stand on a plane of political equality with their employers, and their intelligence, when connected with integrity of purpose and self-respect, gives them influence.

92. **The Numbers of Wage Workers.**—It is clear that the great majority of adults among any civilized people, must earn their living by working for wages, to which rule American citizens are not an exception. The material progress of our Nation would be retarded, if not ruined, were it not for the investment of money-capital, in such manner as to give employment to the great majority of those who are wage-earners. Common-sense and prudence teach that every young man and woman, with scarcely an exception, should learn some mechanic

art or trade consistent with their circumstances. In this changing world riches often takes wings because of unforeseen influences. Among the American people labor of some kind is deemed respectable. This sentiment among intelligent and industrious workingmen may lead them to enter upon a system of coöperation. The attention of the intelligent public is now directed to the subject of the union of money-capital and capital in the form of mechanical skill in the production of manufactured articles. To bring that system to perfection requires financial as well as mechanical skill, and in both integrity of purpose in order to secure success.

93. **Income from Joint Exertion.**—Complaints are sometimes made by workmen engaged in American mechanical industries, that the incomes derived from the money-capital are greater in proportion than the reward which labor receives from the joint product. That is, when the workmen compare the amount of their wages with the dividends of the employer, their incomes appear small. It is proper to recognize the fact that this money-capital is as much the result of labor as the present wages of the workman—but it is labor previously performed, the wages for which have been saved, and the aggregate is now made available for investment. The income from this is as justly due the owner of to-day as were the wages due the original workman. If the conditions of the two periods of time are analyzed, it will be found that the present employe receives, all things considered, for a similar amount of work quite as large if not larger

wages than the original workman, who in the course of time, by being industrious, temperate and economical, was enabled to invest in such manner that he himself became a capitalist and an employer. The path to success was open to him, and a similar one is now open to the workman whom he employs. In the divine arrangement, each one has his chance and turn. The one of to-day may not reach the ideal that he has marked out for himself, but none the less should he perform his duty to his employer, and to his own family by training the latter to honest industry and economy. In the end such principles of integrity may lead them to positions even higher than the one to which he himself aspired.

94. **The Contingencies of the Two Classes of Incomes.**— In relation to their respective incomes the employed may be inclined to ignore some of the most influential items in enumerating the conditions under which the dividends of the employer are obtained. The latter include the salary of the owner; the interest on his money invested (the result of former labor); the risks that he runs; the mental anxiety and care; the liability of accidents to his property; the rent, insurance, the wear and tear of machinery, and the uncertain conditions of the market—all these unknown quantities must be met and provided for before he can draw his dividends. On the other hand, the workman has something sure in his wages, the income from his skill and industry, without the responsibility of the management, or the contingency of financial failure that might

involve him in debt and blight his prospects for life. Under such conditions, is not the workman remunerated in proportion to the value of his capital fully as much as the employer?

95. **The Cost of Living.**—It is just to every workman that his wages should afford him and his family a comfortable living, and in addition, at the end of the year he should have a surplus to lay by as savings to provide for the necessities of old age when his working days are over. It is essential that workpeople, in order to perform their duties successfully, should have wholesome food to sustain their physical strength and vigor; a home pleasant in its surroundings and free from impurities; and withal, clothing that is suitable for the proper protection of the body at all times. Cheerfulness and hopefulness are important elements in the success of the worker in any occupation, and to secure these the wages should be sufficiently high to repay more than the mere expenses day by day. Every patriotic statesman desires that the mechanic who labors should receive sufficient wages, so that with the aid of common-sense-prudence he can live respectably and enjoy the privilege of keeping his own household in comfort, and at least give his children a fair and practical education to enable them, when necessary, to support themselves.

Owing to the progress by means of machinery in cheapening the manufacture of textile fabrics and almost all articles that increase the comfort and improve the taste of the people, the standard of living has been raised among American work-people to a degree that is unknown to their brethren beyond the Atlantic. It sometimes happens that the style of living indulged in by families of employes requires more funds than are earned by their workers. Under such circumstances to indulge in mere luxuries is a crime against honesty and ought to wound their own conscience and self-respect. No member of society can have true self-respect, if, in consequence of such self-indulgence, he becomes involved in debt to his neighbors.

96. **Incidental Influence on Wages.**—It is reasonable, if a business in which wage-earners are employed is successful, that in consequence the wages should be greater in proportion. For illustration: if there is an unusual demand for iron and steel, their price is enhanced, their manufacture receives a corresponding impulse, more workmen are needed, and, perhaps, more rapid work required to meet the contingency. It is right that under such conditions the wages should be increased in proportion to the value and amount of the product. This is on the supposition that those who are employed as workers have no interest in the proceeds further than to perform their work properly and receive their pay, and that it rests with the employer whether he will share a portion of his profits with his workmen in the form of an increase in wages. This general principle is recognized, though the employers are often loth to raise wages when their profits have a fair increase, and the employes are often equally loth to have them reduced when the profits of the employer are declining—both parties are

ungenerous and selfish. The Golden Rule would suggest that if the product of a certain article is in demand at good prices, the manufacturer should tender an increase of wages to his employes; and, on the other hand, if the demand for such articles should fall off and the price decline, the employes should cheerfully assent to a proportional decrease in their wages.

97. The main influence in determining the rate of wages is the price which the products of the special labor commands. If that price does not fully remunerate the capitalist he is right in curtailing his expenses, and, if need be, in stopping his factory entirely. We cannot expect the capitalist to invest his money where he would lose it; neither would we expect the employe to work for nothing. When business is unprofitable the owner can exercise his right and close his factory and wait for better times. He will let his machinery stand idle, though it keeps in better order if constantly running. Under the circumstances, he would be imprudent to court financial ruin by the continuous drain of paying daily wages. His machinery lies idle, and so does the skill and muscle of his late employes. The conclusion is, that wages are determined by the profits of the industry, and, if the latter are good, the wages increase; if they are meagre, the wages decrease. There is an intimate sympathy between the grade of the profits of an industry and the amount of wages that can be fairly paid those employed in that industry, and their proper adjustment requires mutual good-will and wisdom in both parties—the employers and the employes.

XV.

WAGES CONTINUED.

98–103. **A Geographical Comparison.**—Political economy, when it takes into consideration the varied industries of the United States, properly recognizes geographical facts that are comparative. For illustration: the estimated area of the Union—excluding Alaska—is only a few hundred thousand square miles less than that of all Europe, though in the former the amount of fertile territory available for cultivation and pasturage is far superior to that of the latter. The United States lies wholly within the temperate zone, extending from within half a degree of the Tropic of Cancer to the 49th parallel, while Europe extends from the 36th degree of latitude to beyond the Arctic Circle, and has a very large territory bordering on both sides of that line, which, in consequence of the climate, is almost valueless for pasturage or cultivation. In addition, within the area of the Union are deposits of the precious metals, while those of Europe, in comparison, are scarcely worth naming; yet the contrast is still as striking between the more valuable minerals—coal and iron, petroleum and natural gas.

99. **Diversity of Industries Affected by Climate.**—It follows from this comparison that in the United States there is ample room for diversities of employments or industries, owing to the extent of the territory and the corresponding differences of climate. These numerous industries, when carried on successfully in different localities, benefit all classes of the workpeople by enhancing their wages, and thus procuring for them the comforts of life. The American people are likewise preëminently fortunate in their facilities for distributing to consumers throughout the Union the product of their labor in consequence of the easy intercourse between the different sections of their country by means of navigable rivers, sea coasts and railways. These advantages greatly promote trade among the States of the Union, and as greatly add to the comfort and happiness of the people, which is free from tariff restrictions that are found often in Europe within a similar extent of territory, occupied by many different people, having diverse interests.

100. The diversity of climate also induces varied forms of industry among the American people. In the Middle and the more Northern portions the industries that pertain to the various forms of manufacturing that must be carried on within doors, prevail almost exclusively, and yet in this region, extending across from ocean to ocean, is the great wheat belt of the Nation. In the South-Middle and still more Southern, the fertile soil invites to its cultivation and pours forth

in abundance its products of tobacco, cotton, sugar, maize or Indian corn, and semi-tropical fruits. This country extends north and south over twenty-seven degrees of latitude; from east to west, across the continent on the fortieth parallel, it covers one hundred and thirty degrees of longitude. Thus, there are within the limits of the Union all the productions of the earth that are essential for the sustenance and well-being of the people; the only exceptions being tea and coffee, chocolate, and a few spices, which they may desire to complete the comfort of their households when seated around their tables. Various forms of industry prevail in this vast territory, such as the manufacturing or mechanical, the mining in some portions, and the agricultural in others; and yet the factory is oftentimes found in sight of fields of wheat and Indian corn.

101. **Competition Affects Wages.**—Competition in general terms is defined as a "common strife for the same object." This strife crops out continually in the ordinary business affairs of life. Competition in business always influences wages. One management is anxious to secure workmen and it offers higher wages than the contending rival. The latter, to protect itself, offers still better terms; thus the contest goes on until both reach a uniform high rate. The workmen are benefited by this competition which of itself is limited to the rival corporations, but their advantage is only temporary, as the unusually high wages come down to their natural level, when the work is finished and the

contest ended. In this manner the rate of wages, instead of being steady and normal, often fluctuates to such an extent as to be injurious.

102. Competition sometimes assumes different phases, though it continues to affect the rates of wages, but only to lower them. This is the case when there happens to be a surplus of workmen in the market, who, competing among themselves to obtain employment, are willing to take lower wages. Another element often intervenes. The corporations or employers have frequently an eye only to the profits that may be derived from their capital, and,as a means to an end, they pay their workmen as low wages as possible—their greatest expense or outlay being in that direction. On the other hand, the workmen wish to secure as high wages as possible. They are both right in their desire for remuneration, but that desire should not prevent their being just, so that neither party would take advantage of the necessities of the other. The result of such wage-difficulties is often a compromise in the form of a contract between the parties, in which neither one is perfectly satisfied.

The sum of the matter is that when employers are in competition with one another, they will pay their workmen higher wages; while on the other hand, when the workmen are in competition among themselves, they will sell their labor cheaper, rather than be without employment. Thus it follows that "the lowest price at which any laborer will sell his labor, is the highest price which any employer can afford to pay."

103. **Other Results of Competition.**—Competition has its good as well as its bad points. Its influence often breaks monopolies that for a time bear hard upon the people, especially upon those who are less able to pay the prices which a monopoly may impose. Such a state of the market is a great grievance, the more especially, if it affects the price of articles that are of prime necessity. Competition steps in opportunely and by joining in the production of similar articles in due time brings the monopolists to terms by forcing prices down to a reasonable rate. That end accomplished, it should be prosecuted no further, but remain as far as possible at what may be termed the financial position, in which labor is fairly paid and the dividends on the capital invested are as fairly remunerative.

The injury caused by injudicious competition is displayed when one form of industry—say, the production of cotton cloth—becomes successful and its profits are at a fair rate and the employes also have living wages. Suddenly outside capitalists rush into the same industry, establish more mills and make cloth to such an extent that the business is quickly overcrowded. The first curtailment of expenses is by reducing the wages of the employes in all the mills. There is no alternative; for to carry on the business, the buildings and machinery must be retained and the raw material purchased. These outlays remain the same. Meanwhile there has been an over-production and in consequence, the market is glutted, the consumers for the time being have been supplied, and the mills have an immense surplus stock on hand. Finally they shut down; the employes for a time, at least, are thrown out of employment, or their wages greatly reduced; the weaker mills become bankrupt and the remainder are financially crippled. Such mishaps are the result of the lack of common-sense financial ability on the part of capitalists, who, if they had prudently examined the field beforehand, would have ascertained that the production of the original mills was sufficient to supply at reasonable prices the demands of the public, and at the same time give a fair remuneration to the employes and to the owners. The same injudicious method often prevails in other fields of industry, not excepting the agricultural.

XVI.

WAGES CONCLUDED.

104–112. **Labor Unions Affect Wages.**—Workingmen within recent years have taken measures to increase their wages and to promote their own general interests. With these objects in view they have formed associations under the names of Trade Unions, Brotherhoods, Knights of Labor, etc. These were at first composed of the active members of some one particular trade or form of industry, but, as there was a sympathy in respect to wages among the workers in the various kinds of industries, some of these unions combined with those belonging to the employes in different fields of labor. This movement progressed so far that it was proposed, and efforts were made, though thus far only partially successful, to combine all labor unions within the United States into one vast association. It is not within the scope of this book to go into detail in relation to these measures, but to treat the subject as one within the province of political economy. Labor or Trade Unions originated in England among her workmen, who designed by these means to increase their wages and make that increase permanent, and to promote the interests of the members of their associations.

105. The general plan adopted in the United States has been for the workmen in any particular industry to combine in an organization, having a constitution and by-laws which each member when signing pledges himself to obey. The officers are in some instances authorized to make arrangements for the members of the association with the employers, order strikes, to declare them off, etc. The strikes are ordered usually for the purpose of obtaining higher wages or shorter time for labor, which accomplishes the same purpose—that is, to cause the employer to pay more for the work performed. Strikes have sometimes been injudiciously ordered on frivolous pretexts, when the men themselves were satisfied with the wages they received. For instance, the drivers on a certain surface railroad in the city of New York had difficulties with the management of that road, and refused to continue their work; the officers of the several unions ordered a "tie-up," or strike, on nearly all the other railroads in the city, though the employes had no grievances of which to complain. This absurd and unjust action did much to alienate the sympathy of a well-wishing public, who had been much inconvenienced in consequence. In line with such proceeding, it often occurs that if the employers attempt to supply the places vacated by strikers by engaging men who are not members of a Union, the strikers sometimes by intimidation or even violence endeavor to prevent them from working.

Strikes often succeed in raising wages, but they uniformly fail when made on a falling market, for, if the prices obtained for the products of the mills are gradually falling, even at the rate of wages already paid the operatives, how can the employers or owners in justice to themselves, pay more? Under such conditions the mills are forced to stop, and the strikers instead of having work at their old wages are thrown out of employment.

106. **Wages Raised by Wrong Measures.**—When labor organizations increase their own wages by limiting the number of those who are engaged in that special industry, they infringe the rights of others, who may be equally skilled and willing to work, but who, for their own reasons, refuse membership in the Union. The latter may wish to fill the places that the strikers have vacated in order to provide, it may be, for their families, and, if the strikers prevent them by maltreatment or otherwise, they violate a sacred right that has its origin in justice to humanity and is recognized by human law as such.

The most objectionable and supremely selfish phase of limiting the workers in their line is in preventing boys or young men from learning a special trade as apprentices. This mode of restriction is not merely an outrage on the young men themselves, but on the people at large, and as such deserves the condemnation of every humane being. These youths, thus debarred this privilege are forced to grow up in idleness, especially in the large cities, where innumerable temptations to wrong-doing abound, so that they often become victims of vices, that lead them to commit crime.

107. **Mutual Duties and Rights.**—The evils attendant upon such action on the part of the present generation of workingmen are far-reaching in their consequences, as the result will be in time a scarcity of skilled workmen, who are native born Americans. In order to secure the monopoly of employment for themselves alone, such workmen would selfishly prevent the younger men and boys learning trades or laboring in our mechanical industries. The members of a Union who work have a right to obtain a fair value for their services, and they are justified in taking proper measures to secure it. On the other hand, the employers have no right to violate contracts, even if they are only implied, nor arbitrarily lower the wages of those whom they have employed. Changes should be introduced only by mutual agreement between the parties.

108. **Aspirations for Success and Harmony.**—It is hoped that these associations will yet act upon principles more comprehensive than those which they at present advocate—that of mere increase of wages. The latter savors of selfishness rather than of a desire to promote organizations of labor which, in connection with capital, can raise the grade of the mechanical industries of the land to a standard of excellence far in advance of what it is now.

109. **Industrial Partnerships** are a form of coöperation. The corporation enters into an agreement to furnish the plant, the current capital, etc., and pay a

certain amount of wages to each individual employe, and in addition at the end of the year, after a certain percentage upon the capital invested has been realized by the owners, to divide the remainder among the workpeople. It would be a great gain if the rate in this division were based upon the skill and the labor performed by the individual so that such a mode of disbursement might become a continuous stimulant for honest effort among the workmen, making them careful to avoid waste, and to perform perfect work. It would also, no doubt, induce a kindly feeling between the parties to the contract, while securing an interest in the success of the enterprise and an emulation on the part of every one to perform his or her duty.

110. **Wages of Women.**—This is to-day an important and living issue and one that also deserves notice in a work on political economy. Within the last quarter of a century woman's sphere of labor in the United States has been greatly increased. The first and most influential impulse in this direction was given at Washington (1863) under the auspices of Salmon P. Chase, then Secretary of the Treasury, who employed great numbers of intelligent women in counting money, and as clerks, stenographers, copyists, etc. They were found remarkably competent for that class of work, and the system was extended to the other departments where similar work was required. This example at Washington has had influence throughout the Nation, and now retail merchants, importers, bankers, lawyers, publishers, etc., employ an increas-

ing number of women. The work required of them demands more mental preparation than can be obtained in the ordinary common school. A still higher education is required for teachers, trained nurses and physicians.

111. **The Rate of Woman's Wages.**—The proportionate smallness of wages paid women seems to be the outgrowth of the custom, which prevailed in times bygone, when she was comparatively not as well educated as today; but that custom in the main has been much modified in her favor. The rate of her compensation is, however, generally lower than that of men for similar work. This seems to be unjust, and yet those who employ women and are friendly to their interests contend that, while these inequalities exist in the wages paid men and women in similar industries, men though they have not the natural quickness of women, are more enduring and are not so liable to be occasionally absent and are more likely to be permanent. In the case of the lady, she may at any time step up to the desk and hand in her resignation, because she is about to enter upon the more appropriate sphere of a wife and the care of a household. Employers argue that under the circumstances women cannot have that sense of responsibility that would induce them to give the same continuous attention in order to master the details of their work, as if they had entered upon a kind of labor that was to be indefinite in its length.

Another reason is that the particular spheres of labor in which women can work successfully are quite limited, and the applicants very numerous, so that taking the regular course with them as with men, under similar conditions, their wages are in consequence lower.

112. "In the quiet sphere of domestic life, woman renders to society her noblest, most blessed service. The real worth of that service cannot be estimated in terms of current money. Its legitimate reward comes not in separate wages but in her rightful partnership, as a necessary helper, in all that man, the husband, the father, the brother, quickened, stimulated, sustained by her genial influence in the home, can gather on the world's open fields of struggle. When necessity carries her out to act for herself in those open fields, her true mission will still remain that of a Helper not a Principal. The outlook of to-day is full of hope for the success of a *Conservative Reform,* which shall move on, safely balanced by a due regard always to that highest honor, to those most sacred rights of woman which centre in the true unit of society, the HOME." (Dr. Wayland.)

XVII.

A HOME MARKET.

113–125. As a home market is of primary importance to our workpeople, it is fitting that it be noticed in immediate connection with the item of wages. To supply the wants of a Nation of 65,000,000 people, who taken as a whole, are accustomed to the substantial comforts of life, requires a vast number of those who work for wages. In consequence of this urgent demand, their wages, when compared with those paid beyond the Atlantic, are high, because this home market is always sure, since the American people are dependent, upon foreign countries for perhaps not one-fiftieth part of their substantial comforts.

They have within their territorial limits, almost inexhaustible mines of the precious metals, coal and iron, a marvelously fertile soil, and a copious rainfall, derived from a source that will remain as long as the present laws of nature exist. Being in these respects independent of the outside world, they virtually have one of their own.

After their home market is supplied, the surplus is sent to foreign lands to be exchanged for what they desire, which—owing to low wages paid abroad and to climatic influences—they cannot produce themselves.

The wages of these numerous workers are enhanced by the ever-recurring wants of the people in the different sections of the land. The primary motive is to strengthen the home market by supplying all the essential articles needed by the people, when it can be done, by means of domestic manufacturing. The elements from which come our sustenance and wealth are provided to our hand by the bounty of a beneficent Creator, and why should we not avail ourselves of His gifts, and utilize them, first of all, for the benefit of our own people?

114. **Advantages of a Home Market.**—The home market is more valuable because it is less fluctuating. The progress of the country is uniform and the increase in the number of the people is steady. The settling of unoccupied territories and bringing them into accessibility by means of railways continue unabated, thus adding to the class of agricultural producers who, at the same time, increase the market for our own manufactured goods. This immense interior trade affects favorably the wages, among others, of those who are employed in distributing to the people the untold products of the ranches, the farms, the plantations, the mines of all kinds and the workshops of the Union.

There are no other people on the globe, that demand so much for their comfort and good living as do those of the United States. Every intelligent patriot rejoices that it is thus, not only because of the refinement and taste which demands such comforts, but because it also implies corresponding industry to obtain the means for comfortable living. That being the case, there is greater security as to employment for wage-earners, and also for their obtaining fair compensation. The industries of the United States, aided by the general intelligence of the workers, are unusually productive, and in consequence the wages of those employed in them are correspondingly high. From the nature of certain conditions—such as the partial failure of crops abroad, or a sudden influx of the precious metals from our mines—fluctuations in prices of merchandise may occur, as well as in wages. The employers and the employes being both interested, these financial difficulties in due time adjust themselves.

115. **The Values of Foreign and Home Markets Compared.**—The importance of the home market or trade within the Union can be illustrated by the following statement. We ascertain the amount of our foreign trade by reckoning the money-value of our imports, as well as that of our exports to pay for them; and the two represent the value of our foreign trade. In 1890 the latter amounted in value, as we learn from Custom House reports, to $1,634,604,237, while the yearly amount of the home trade between the States is estimated by those who have made the subject a study to be $30,000,000,000, nearly twenty times as much. This great boon of a free Home Market was secured to the American people by the far-reaching wisdom of the fathers, when in the Constitution they forbade that trade between the States should be restricted by impost duties.

There is quite a contrast in the relative importance of the home market of Great Britain and that of the United States. The value of the exchanges within the home, or "Imperial Market," of England is estimated by Mr. Gladstone to be $935,000,000 a year, "taking in imports and exports of all kinds—whereas the foreign commerce amounts to $2,770,000,000"—virtually three times as much. Mr. Gladstone urges, that "it would be a most inglorious policy" for the English government to sacrifice the larger foreign commerce, for the smaller "Imperial" or domestic. Cannot American statesmen as well say, "it would be a most inglorious policy," to sacrifice their much larger Home Market for a smaller foreign one? In England, especially, manufacturing of every form has for its primary object to supply a foreign market; in the United States, on the contrary, the primary object is to supply the wants of the American people—the Home Market.

116. The manufacturers and merchants of Europe, of course, are anxious to occupy our immense home market. The Americans ask, What can you give us in exchange? The virtual answer is, We can send you our manufactured goods but we cannot in exchange take yours of similar character, for in that respect we supply ourselves abundantly, and, owing to the lower wages we pay, cheaper than we can obtain them from you. We will take your wheat and flour, when our crops fail or when we cannot obtain them cheaper from Russia or India, and we will take a portion of your Indian corn and other provisions. The Americans

reply, Since we are excluded from your market because of the superabundance of your own manufactures, we will fall back upon those commodities for which you are more or less dependent upon us, that is, the surplus of our wheat and flour, our Indian corn, and the various forms of food provisions; and also upon our petroleum, cotton and tobacco. In exchange for these we will take what we want of your high-priced articles which are deemed luxuries, such as textile fabrics of cotton and wool or silk of elaborate make. In respect to the cheaper and more useful class of manufactured goods —woolen, silk and cotton—we can supply ourselves from our own factories.

117. **Europe's Advantage in Population.**—Europe with her estimated population of 315 millions can have but little need, as we have seen, for American manufactured products, since her workers in mechanical industries are so much greater in proportion to the number of the inhabitants than in the United States. It follows from this condition that Europeans from their own resources, can supply themselves with manufactured products while, because of the low rate of wages they pay, the Americans cannot compete with them, especially in their own markets. To this general rule there may be, occasionally, an exception in some special articles, as occurred some years since in the items of sewing-machines and of American clocks and watches—the latter two being made, for the most part, by ingeniously contrived machinery. The Americans must, therefore, seek an outlet for the surplus products

of their mechanical industries among peoples not so far advanced in similar pursuits, as for instance in portions of Asia or among their neighbors, whose territories extend southward from the Rio Grande.

On the contrary, the people of certain nations of Europe must depend to a large extent upon the grain and pasture-lands of the Northern and Middle portions of the United States for their supplies of breadstuffs, orchard fruits and other classes of provisions. The same people are equally dependent upon petroleum, and the tobacco and cotton of the Southern portion of the Union. The surplus of these commodities the Americans find sufficient to exchange for what they desire of the various luxuries to be obtained in the Old World.

118. **The American People Mutually Dependent.**— Owing to the extent of their territory and, in consequence, diversity of climate the American people of the different sections of the Union, are much dependent upon one another for the necessaries and comforts of life and to such a degree that even the several sections might be looked upon in respect to mere trade as foreign. For illustration: That portion of the Atlantic slope known as New England, with its numerous manufacturing industries, might in this sense, be deemed a foreign land, by the portion west of the Alleghenies, while the extreme South, with its cotton and sugar and semi-tropical fruits, may be reckoned another foreign land—but as one people under the same conditions of free trade among themselves. The manufactured

articles of New England are purchased by the Northwest, and the latter pays for them in wheat, Indian corn, beef and other provisions; in the same manner the South purchases the products of the New England factories and pays in sugar, raw cotton, and semi-tropical fruits—and they all buy more or less of luxuries from Europe and pay by means of their respective products. An English writer on political economy has characterized the United States as "a continent of free-trade, unequalled in the world." This is accomplished by means of a cordon of custom houses in the seaports and along the Canada and Mexican boundaries, whose province it is to guard the industrial interests of the people, and at the same time obtain revenue from import duties to defray the expenses of the National government.

119. **Mutual Interests.**—Another important influence that increases the value and the independence of this home market is the mutual interests of both the wage-earners and the employers in the industries of the Union. If one of these decline or cease, those at work therein are compelled to crowd into other occupations, and thus, by competition, they lower their own and the wages of the others. Herein is the theory at fault, which under the plea of mere cheapness, which always means unrequited toil somewhere, would transfer to the workpeople of Europe the manufacture of those articles which our own people can make for themselves.

The American who makes hats cannot afford that his neighbor who makes woolen cloth should give up work, at the dictation of free trade, in order that he, the hatter, according to the theory, may buy a coat a little cheaper, nor can the cotton spinner afford that the silk weaver should stop work that the former might purchase a silk dress for his wife a little cheaper. True and honest economy includes the paying as well as the buying, and these two can be combined, when industries are diversified and all are successful, insuring employment and wages to those employed, and fair dividends to the capital invested.

120. **The Two Interests Maintained.**—How the two interests, protecting American mechanical industries and at the same time obtaining the necessary revenue, are provided for may be thus illustrated: Suppose a manufacturer in Lowell, Mass., puts on the New York market a quantity of Merrimac prints. In producing them he has paid his workpeople one thousand dollars. A manufacturer in Manchester, England, at the same time puts on the same market a like quantity and quality of prints, but he has paid his workpeople only five hundred dollars—the average wages paid in England being one-half as much as that paid in the United States. The National government interposes and says to the foreigner, We will impose a duty of five hundred dollars on your consignment of Merrimacs, thus making the wage-cost of the two articles of merchandise equal. Under these conditions, we welcome you to compete on our own soil with our own manufacturers, and to sell at whatever percentage of profit you

please. Thus the foreign manufacturer pays the duty, and in return has the privilege of entering the American market.

121. **What Common Right Have Manufacturers?**— In a similar manner in respect to other classes of merchandise brought in for sale, the government by tariff legislation guards the interests of its own capitalists and workpeople. The American manufacturers exercise the natural right of all producers in every land to name the price of their own products when they put them upon the market. That price, all things being equal, is governed by the cost of production. The European, however, has the advantage, inasmuch as he pays only one-half, in some instances, as in the silk industry, only one-third as much wages as does the American, and therefore, the United States government in justice to its own manufacturers is bound to levy a duty sufficiently high to afford them, in their own market, a fair chance in competing with the foreigner. Moreover, the American manufacturer graduates the price of his own products independently of that of the foreigner for similar articles. The *latter* conforms to the price laid down by the former, and not the reverse. Neither, under these conditions, is the price increased by the introduction of the foreign made article, though it pay the required duty. Suppose, in the case of the Merrimac prints just noted, the foreigner demands a higher percentage of profit than does the American; the latter will not increase his price in consequence, but, on the other hand, if

the foreigner asks a percentage of profit lower than that of the American, the latter in order to compete successfully must bring his price down to the same standard. In no case after the foreigner has paid the duty and entered his merchandise on the American market, can he increase the current price, but, on the contrary, if he finds it to his interest, he may lower it by asking for his goods a less percentage of profit than does the American.

122. **Who Pays the Duty?**—The question who pays the duty on an imported article—the importer or the consumer—can be easily and correctly answered when the conditions of the importation are fully understood.

For illustration: At present the United States government imposes no duty on tea and coffee; the original price of these articles is imposed by the foreign exporters, say in China or Brazil. The American consumer purchases them, paying only the usual profit due the importer and the retail dealer. But suppose the United States government should impose a duty of four cents a pound on the coffee and ten cents on the tea. The consumer would then have to pay in addition four cents more a pound on the coffee and ten more on the tea. In that case the consumer would pay the duty; that is, he would refund such amount to the retail dealer as had been paid originally by the importer and charged by him to the latter, who, in turn, charges the same to the consumer. This principle of the American consumer paying the duty applies only to instances wherein they do not produce the article at all—such as tea, coffee, chocolate, etc., and wherein the foreign exporter fixes the original price to which is added the duty.

Another phase of the question presents itself in this connection. Who pays the duty on articles that come into our markets in competition with our own products? The American manufacturer or farmer, in the case adduced, names his price on his own products. For illustration: Take the item of barley; the American farmer fixes his price, say at one dollar a bushel, but just across the border the Canadian farmer has also raised barley which he wishes to sell in the American market, but the government imposes a duty of *thirty cents* on a bushel of foreign barley. The Canadian pays the thirty cents and puts his barley on the American market, and sells it at the stated price, one dollar, for he cannot sell it at a higher rate. Thus he realizes only *seventy cents*, since he has already paid a duty of thirty for the privilege of putting his barley on that market. This principle holds true in every case wherein the American names the price on his own product, the foreign competitor paying the duty. On the other hand, when the foreign manufacturer or planter names the price on his product, which we cannot produce at all, we, the American consumers, pay the duty, if one is imposed by the National government.

Inter-State Commerce Act.—The immense traffic within the home market caused rivalries between the great lines of railways leading from the grain fields and pasture lands of the West to the cities and seaports of the East. The managers of these roads often discriminated in favor of their customers along the portions of their routes where competition was rife by "cutting rates," both for freight and passengers; then, on the other hand, to make up the loss of income thus incurred, they charged, where there was no competition, exorbitant rates for freight and passengers. These customers appealed to the National government for relief, and to remedy the evil Congress passed the "Inter-State Commerce Act." The United States Commissioners under this Act were empowered to regulate such railways rates, and make them equable and just to the citizens of all sections of the Union.

123. **The Main Object of Commerce Is Not to Obtain Money.**—Political economists at one time advocated the system known as the *mercantile,* which was understood to mean that trade among nations should have for its chief object to obtain money—gold and silver—from which theory it followed that the nation which held in its vaults the greatest amount of the precious metals was deemed the richest. Experience and statesmanship have long since taught a different lesson, namely, that the true wealth of a nation consists in the material progress, the education, the morality, the comfort and the happiness of the people themselves. This truth is exemplified in a Christianized civilization, wherein the rights of all are protected, and, in consequence, an open field is afforded in which each in-

dividual can fully exercise his or her talent, whatever it may be, but in such manner as not to interfere with the rights of others.

Commerce is now deemed a means by which the products—agricultural, mechanical, or mining—of one portion of the country or of the world, can be exchanged for the products of another, and thereby satisfy the desires and add to the comfort of the parties concerned. The American merchant, for illustration, sends a cargo of flour to Rio Janeiro. He does not want in exchange for it gold or silver, but coffee, which he may sell at a profit and at the same time supply the wants of his countrymen. If he exports more flour than he wishes to exchange for coffee, and the Brazilians take it, they can pay him the difference in gold or he may take some other of their products, as India rubber. The amount of the precious metals paid out at the present time in the commerce of the world is very insignificant in value when compared with that of the vast amounts of products thus exchanged.

124. **The Two Methods of Regulating the National Revenue.**—When it is expedient to diminish the income of the government that is derived from import duties, one class of political economists advises placing on the free list or at least lowering the rate of the tariff upon many commodities in common use which we can make ourselves. Another class takes a view directly the reverse; that is, to *increase* the rate of the tariff on the same class of articles, and thereby diminish the importation itself. The argument for the latter

policy is that it gives employment to its own work-people in manufacturing these or similar articles for themselves. The latter class of economists is also strenuous in imposing a high tariff upon luxuries that come in from abroad, and the wealthy, whose tastes—right in themselves—lead them to possess and enjoy such luxuries, greatly benefit the finances of the Nation at large while paying for them by reason of the duties imposed thereon.

125. **The Nation Homogeneous.**—The American people, those descended from the original stock as represented by the colonists, are remarkably homogeneous. This realized fact elicits a kindred feeling or sentiment that pervades every portion of the land and thus promotes our domestic free-trade. Another characteristic that may be deemed peculiar in its beneficial influence is the ease with which foreigners, as a general rule, and their descendants assimilate with the natives in loyalty to American institutions—civil and religious. Foreigners, on certain conditions, are admitted to citizenship, while their children are taught the English language and the elements of a good education in our public schools. Under such influences these youth grow up into manhood and womanhood and become in fact and in spirit genuine Americans. The whole people are inspired by self-reliance; are umtrammeled by a sentiment of an artificial caste in society, and in a political sense are on an equality. Inequalities as to mental powers and physical strength exist among

individuals; these characteristics the Creator—for reasons that we cannot gainsay—has stamped upon each, but under such conditions, that every one in the Union has an open field for success, in the sphere to which he or she is adapted.

XVIII.

RENT.

126–137.—It is only among a savage or semi-savage people that land is held in common. On the contrary, among all civilized nations it is universally held by individuals, except the comparatively small portions set apart for public use. That this mode of possessing land is of divine origin, we infer from the command by which the land of Canaan was distributed in certain portions to the heads of families among the children of Israel. In addition it was even ordained, that if misfortunes overcame the family, and their land was alienated because of debt, in the year of jubilee the homestead was restored to the heirs of the original owners.

127. **Titles to Land.**—In accordance with this general principle, the individual person in the United States can own land and transmit it to his or her heirs; the person having in a legal sense, "a title in fee simple,"—that is, free from any encumbrance, such as entail, which obtains in England. That system was never entertained in our country after the Revolution. All the immense grants of land made to royal favorites in colonial times, when we became a Nation gradually

dwindled away, by passing into the ownership of individuals. The spirit of our institutions is antagonistic to large landed estates; and the few exceptions, that hitherto have been very large, have uniformly in the second or third generation passed into the hands of comparatively small farmers. The system of land holding in the United States not being complex, the mode of arranging for the *rent* derived from the same is very simple.

128. **Definition of Rent.**—In the restricted sense employed in political economy, *Rent* is defined as money paid for the use of natural agents belonging to another, as land including its common qualities. The rent or income derived from minerals, water-power, etc., that may be on the land is usually subjected to special agreements. In common language, the term also applies to other forms of property, as when we rent or hire a house and its appurtenances, or a piano, etc.

The rate of the rent of land in rural districts is graduated by its estimated value for farming purposes, in which value is considered, its fertility, its location, near to or remote from market, and the social character of the neighborhood in which it is situated. No upright and intelligent father wishes to subject his family to the influence of ignorant and vicious surroundings. Many questions are to be considered in renting or purchasing a farm: is its soil fertile by nature or is it sterile? can it be improved by fertilizers? is it well watered by springs or brooks? is its location beautiful and commanding?

129. **Differences in Lands.**—Lands differ in their capacity for producing crops. In one district wheat can be raised better than any other grain; another will produce Indian corn to better advantage than either wheat or oats; another yields tobacco of fine quality, because of particular elements in the soil, which that fastidious plant uses as food. Neither do these several districts, from year to year, yield equally well the grain to which their soil is adapted. These peculiarities are often found within a short distance from one another. Nature has established an almost infinite variety in the soils—some are clayey of different qualities; in some that invaluable element, lime, predominates; or they may be duly mixed with sand; the latter may degenerate into the coarser kinds so as to become gravelly; others are characterized as loamy and some alluvial. Some of these produce abundantly the small cereals, as wheat, rye, oats or buckwheat; others Indian corn, our only indigenous grain, or yield the invaluable potato. Some are adapted to grasses or pasturage for stock of different kinds, others to fruit raising; perhaps a district almost useless in producing cereals will yield an abundant crop of that prince of the orchard, the apple, and other fruits, the peach, the plum, the cherry, and also will cause the grape, which is so sensitive as to the soil in which the vine is planted, to flourish and produce fruit of fine flavor. These considerations present themselves to those who are deciding upon the amount of rent that would be just and equal.

130. **The Limit of Products.**—One principle underlies the rent of agricultural lands, because under the most favorable conditions the product reaches a limit, beyond which the laws of nature forbid it to go, and the most perfect mode of cultivation by means of fertilizers and extra labor cannot force the yield beyond that limit. At that point the rent must remain, as beyond it all extra labor and efforts are a waste of power and capital ; nature being inexorable in dictating the extent of her productions. Political economists characterize this limit of yield as "diminishing returns."

131. **Ground Rent.**—In cities, land in the form of building lots is sometimes leased for a term of years, usually twenty-one, and the payment therefore is known as ground-rent. As a general rule when the lease expires it is subject to renewal, but at a rate which has been perhaps enhanced meanwhile by the prosperity of the surroundings, towards which oftentimes the owner by his enterprise has contributed nothing. In that case the benefit accrues to the latter alone ; but the lessee finds year by year the value of his building deteriorating from age and use, while his ground-rent is on the increase—thus to him the loss is *two-fold.* The system upon the whole appears by no means an economical one for the lessee. If the location is valuable for business, that feature materially increases the rent.

132. **The Degrees of Value in Land.**—The two most

essential elements in the value of land, and consequently in the *rent,* are the fertility of the soil and the facilities for reaching a market. In the United States these facilities, when not found in nature in the form of water courses, are often made by internal improvements, such as wagon-roads, canals and railways —the latter in our day have brought within reach of the Eastern cities the grains and other products of the Western plains. In consequence of this the value of the lands of the great West has been much enhanced; their fertility and easy cultivation over-balancing the extra expense of transportation to the distant East and sea-board.

133. In these new regions labor commands a high price, but the richness of the native soil enables the farmer to meet this extra expense, the land yielding a crop so large that the surplus is great, and the money invested pays a fair *rent or income* to the owner. The expense of breaking up the prairie lands in the valley of the Mississippi is small when compared with the labor required in other portions of the country where the forests of immense trees have to be removed before the land can be brought under cultivation. The process in the latter case is expensive and slow, and the farmer can prepare only a few acres in a year, while in the former, the sod of the prairie can be turned over rapidly in the spring, and in numerous acres, the seed put in and a crop reaped in the autumn.

134. **Effect of Population on Rent.**—The growth of

population and its concentration in great centres or cities, stimulate agriculture to supply these multitudes with food, and the farmers are usually rewarded by fair prices for the numerous products of their fields. These include not merely the wheat, which is apt to have assigned it a supremacy above any other grain, but likewise the Indian corn so invaluable in its uses, direct and indirect, the rye, the oats, the barley and the buckwheat; his orchards also bear fruits, his fields abound in potatoes, and his pasture-lands give forth several dairy products, while the value of his poultry-yard is not to be overlooked—all these unite in increasing the surplus and the rent or income derived from the land. The garden is a small farm devoted to the cultivation of a class of vegetables that, in their nature, are quite perishable, and therefore require a market near at hand, as they cannot be transported very great distances. The garden-farmer usually reaps for his labor a rich reward, and for the comparatively small portion of the land he cultivates, his rent or income is large.

135. **Contingencies of Land-Holding.**—It is found that, usually, the rent or income from land or real estate, except in very favorable locations for business, as in certain portions of a city, is smaller in proportion than the same amount of capital would produce invested in other kinds of property or business. For this peculiarity the reason assigned is that property in land is very secure, there being no special risk in relation to its ownership. The title can be verified with-

out difficulty or doubt, for in civilized countries, it is made a matter of legal record in public documents. The boundaries of the land, be it farm or lot, are carefully designated and recorded, so that its ownership can be ascertained, and it can be transferred to other owners or to heirs.

136. To possess land seems a universal desire in the human mind. This trait may account for the fact that in all ages landholders appear to have had more influence than the owners of the same amount of wealth in other forms. This sentiment shows itself in limiting the privilege of voting to *landholders*, as was once the custom in England and for a time in some of our own States. The United States government, however, immediately after its inauguration, took a higher and more advanced position, and assumed that the right of suffrage inhered in the individual himself as a man and citizen, and not in the amount of property he might own.

137. The land remains, though there may be great changes in other respects. If the population occupying it increases, and commerce and industries flourish, the value of the land is enhanced in proportion. The latter feature may be slow in its advance, but in the end it is more lasting. Thus real estate is, upon the whole, the most stable kind of property, with only one drawback: in cities the exorbitant taxes that it has sometimes to bear in consequence of the expenses incident to them such as the water-supply, lighting the streets, police arrangements, etc.

XIX.

INTEREST.

138–148. *Interest* is the money paid for the use of money borrowed. The money loaned is called the *principal.* The percentage on the principal is denominated the *rate,* and the time specified is usually for one year; but the time for payments of the interest, as agreed upon by the parties, may be annually, semi-annually or quarterly; when the amounts are large the last is more common. In active business in the cities, loans are often made on call or only for a few days, but the rate of interest is much higher in proportion than for longer and stated periods. As a matter of convenience indebtedness, as represented by mortgages and notes to be paid in time, is reckoned in terms of money on which interest is paid. A farmer purchases a farm for $5,000, of which $3,000 are paid at the time of the purchase, and the $2,000 remain on mortgage; that is, he gives as security for its payment a lien on his farm, while he pays interest on the $2,000. The general principles of such transactions are similar—he may borrow the $2,000, and pay the former owner in full for his farm on taking possession; he merely gives the mortgage to another person, from whom he borrowed the money and to whom he pays the interest.

The manufacturer borrows money to be used as capital in carrying on his business, and thus promotes industries. He confers benefits on the people by supplying their wants, while also he aids multitudes by affording them employment. In this way the combined efforts of both parties—the competent utilizer of borrowed capital and the lender become beneficial to the community at large.

139. **Considerations in Making Loans.**—Risks obtrude themselves in business transactions, and they very often determine the rate of interest to be paid. When the risk is very small or virtually none, the rate of interest becomes low, as for instance, in the case of United States bonds.

Risks at sea are deemed more hazardous than on land—that is, money loaned on a substantial ship would demand a higher rate of interest than if loaned on a well-built house, as the former is more liable to be destroyed than the latter. The same principle is recognized in the style of houses or the materials of which they are made; brick or stone, in that respect, being preferable to wood. The location has influence also on the rate of interest, as when a house is in the vicinity of explosives, as gunpowder or dynamite; or in the neighborhood of old wooden buildings, or stables that have stored in them inflammable materials, such as hay and straw. It would be difficult to borrow money at the ordinary rate of interest on securities so liable to fail. The character of the business makes a difference in the rate of interest on the money borrowed in order to carry it on.

If the former is hazardous, such as the manufacture of explosives, etc., the rate will be large.

140. Another consideration is the personal character, industry and business capacity of the borrower; these have much to do in determining the amount of risk that would be assumed in loaning him money to be used as capital in business operations. If he has been successful and shown business skill, that fact will strengthen his mercantile credit and enable him to obtain needed loans on reasonable terms; on the contrary, if he has been unfortunate and made failures, and if the latter can be traced to a deficiency of business judgment, the risk will be deemed greater and in consequence the rate of interest will be increased.

The custom of mutual endorsements is sometimes resorted to in order to secure loans. A number of business men endorse for one another on the principle that one good turn deserves another, and, by thus combining, obtain loans that would be impossible for them to secure separately as individuals. This leads to complications that often develop into financial disaster. For illustration: one of the number fails to meet his obligations, though they may not be great. His endorser cannot aid him; the evils accumulate; another and another of the combination are unable because of the first failure to meet their obligations; and they all may become bankrupt. The system is liable to result in widespread financial disaster, and upon the whole is too full of risk to be indulged in by prudent business men.

141. **Supply and Demand for Money.**—The rate of interest is affected by the scarcity or abundance of money in the market. The phrase "money is tight," implies that it is difficult to borrow it for investment or otherwise. Similar unwritten laws govern its rate as they do the price of other commodities; if business is brisk, payments prompt, and sales frequent, the rate of interest will rise. On the other hand, if there is little money to be loaned, while there is a great demand for it, the rate will increase accordingly. Should the risk be great, owing to adverse circumstances, the rate of interest will rise, as for instance, when there are indications of war between nations or civil commotions within a nation itself. These agitations affect the business relations of all parties, and contribute to throw distrust over mercantile transactions, and render capitalists cautious.

142. Prosperity in business or in manufacturing industries requires a large amount of money to carry them on, and such conditions enhance the value of its use as a medium of exchange, and the estimate of this value is soon seen in the increase of the rate of interest. Thus money fluctuates like any other commodity in accordance with the laws of demand and supply. In new countries the rate of interest is comparatively high because of the relative scarcity of money, as seen in our new States or Territories. In the more densely populated portions of the Union, as in the eastern sections, in the cities and centres of commerce and manufacturing industries, the rate of interest is lower, as

there is usually plenty of money to loan on reasonable rates when the security is satisfactory.

143. **Usury Laws.**—Merchants or others who may be in straitened circumstances in money matters are liable to become the victim of usurers, who may take advantage of their distress to extort high rates. To guard against this evil laws have sometimes been made, whose provisions were designed to prevent extortion, and to punish the offender. Laws having this purpose in view may be properly applied in cases wherein attempts are made to collect more than the legal rate of interest. When notes are given without specifying the rate of interest the legal rate is all the maker is liable for. The law thus protects the unwary from extortion. The spirit of the laws of usury is continually violated in transactions in the form of call loans.

144. It is objected that usury laws are injudicious and violate the plainest principles of business or trade. Since money is one form of property, the question arises, What right has the law to determine its value, when it prescribes the rate at which its use is to be hired? A similar rule is never applied to the value of other property, to wheat or iron for instance, or, indeed, to anything else. It is contended that such laws violate the inherent rights of property, and that it is contrary to the common good that prices of commodities should be regulated by legislation. Yet it is obvious that the unwary and the unintelligent should in some measure be protected from rapacious money-lenders, as well as against swindlers.

Usury laws produce injurious effects upon morals, as they can be so easily evaded by the connivance or active participation of both the contracting parties—the borrower under the pressure of circumstances, and the lender under the influence of a grasping and heartless avarice. Upon the whole the tendency of such laws in their non-observance is to engender a spirit of disrespect for law.

145. **Dividends and Profits.**—These terms apply to the incomes derived from investments in stock-companies. Stock-companies are usually formed by the contributions of numerous persons who subscribe the amounts they wish to invest in the enterprise. These companies are incorporated, so that in legal form they can conduct their operations, some of which are very extensive. Their sphere of action includes establishments, among others, for manufacturing, mining, railways, both building and operating, with transportation by river or ocean steamer; banking purposes, insurance, telegraphs, telephones, and other enterprises, in almost innumerable forms, covering every phase of human ingenuity and business energy.

146. A company is formed at the instance, perhaps, of one or two enterprising gentlemen who have investigated a subject. Persons subscribe the stock which for the sake of convenience is divided into the requisite number of shares, each usually valued at one hundred dollars. Each subscriber for his number of shares receives a certificate of ownership, and thus he becomes

a member of the corporation and has a voice in the selection of officers. The latter usually receive salaries, and as directors, secretaries or managers, conduct the enterprise. The shares are held under the usual conditions of other property, and the owner can sell or transfer them. The accounts of the company are balanced as often as decided upon, usually semi-annually or quarterly. After all the various expenses are paid, the surplus—or profit—is distributed to the stockholders in proportion to the amount of stock they each own. The money thus paid out is called dividends.

147. **When Liable to Risks.**—These companies are by no means exempt from the contingencies that occur in business transactions; they may be well-managed or the contrary; there may have been room for the enterprise in their special line, or there may not. The company, if successful, pays good dividends, or it may have entered a field of manufacturing, that had been already sufficiently occupied, and by thus coming in it has overcrowded the market and in consequence has not been successful in disposing of its products. The stockholders of a company thus injudiciously commenced may draw small dividends or none at all, or perhaps in the end lose the stock itself.

148. When we analyze dividends we find that they combine two elements—the interest on the money invested and also the profit arising from such investment as stock. The profits, strictly speaking, include the net proceeds or surplus after all the expenses have

been paid. The stockholder has a right to the usual rate of interest on his money used as capital, and in addition, he has a legitimate claim to his pro rata share of the earnings of that capital, and the two combined we call dividends. In such investments there is always more or less risk incurred by the stockholder, and thus his relation to the company involves more than a loaner of money, for he shares a certain responsibility. Should the corporation become unfortunate in its financial affairs, he would be liable to lose all his stock and perhaps, also, become responsible to some extent for the debts of the company.

These great business corporations have conferred untold benefits upon the world and especially upon the American people in promoting their manufacturing industries and the development of their natural resources. By concentrating the scattered capital of the country they have been able to make available these resources for the benefit of the people at large.

XX.

EXCHANGE.

149–159. We have treated of production by means of labor and the use of natural agents; we will now speak of the process of supplying these products to the consumers or those who desire to use them—this is called *exchange*. After the wants of the producers are supplied, the surplus is sent to those who desire it; that is, one class of persons give what they do not need in exchange for what they want, and those making these exchanges are found in all portions of the civilized world. To accomplish this distribution of commodities involves almost innumerable and varied facilities of transportation by land and water; afterward comes in order the more minute distribution in required quantities to individuals, all of whom have some other product of labor or its equivalent to give in return. In consequence of its magnitude the subject of exchange holds an important place in the study of political economy. The entire process is very complicated in its numerous appliances, and is likewise so extensive in its ramifications, that it supplies the wants of the people of all civilized nations.

150. **Markets.**—The market is an essential instru-

ment used in the distribution of commodities, as it is the central position of different localities, where by conventional or mutual consent, the numerous classes of salable property are brought within the reach of those who wish to exchange their own products for those of others. In reference to nations there are two leading classes of markets—the home and the foreign—and toward these tend in direct or indirect lines all the products to be exchanged. There is no manufacturer nor agriculturist, but in his business has an eye to what the completed article will be worth or what it will bring him in this centre of exchange, be it a yard of cloth or a bushel of wheat.

151. **What is Essential in Exchange.**—It is essential that these exchanges should be of mutual benefit to the parties concerned. These may be in the form of barter, that is, of one article for another, or of one for many, according to their respective values; since to each commodity is assigned a value as the basis of the trade or exchange. The preliminary exchanges in the market may be between merchants whose business is to distribute in detail the commodities to others. The system is very complicated, and involves not only exchanges but numerous handlings of the original commodity. The planter in Texas prepares the soil ; puts in the cotton-seed ; cares for it through all its stages of growth, its stem and its boll of fibre ; he picks and gins it, makes of it a bale which he sends to market in Galveston. Thence it goes on shipboard, it may be to Europe or to Boston, or to other markets. From Bos-

ton it goes to Lowell, where the manufacturer spins the cotton into yarn, which is then woven into cloth, dyed and stamped, finally appearing in the form of a Merrimac print which is sent to another market, to be again the subject of exchange, till at last it reaches its destination and is made up and put to actual use as a gown.

152. **The Element of Value.**—The estimated value of commodities that are exchanged is an important element to be considered in this connection. The term value is used as already defined (page 25) in the sense of *purchasing-power*—that is, what it commands for itself in exchange. The accepted standard of purchasing-value is *money*, and we use the term *price* to express it. A bushel of wheat sells for one dollar and a bushel of corn for half as much, and on that basis of their relative values the exchange is made. This illustration applies to all exchanges of products of whatever sort and wherever made.

The value of one article must be relative as compared with that of another. The value of an article of use is estimated by its utility ; that is, its power to supply a want or desire ; in one instance it may be to gratify a refined taste, as in the value put upon a painting, or it may be a more common want, in which the taste for the beautiful has no influence, yet the respective desires can be equally strong.

153. There are in truth two elements to be considered in estimating the value of a commodity—namely

its cost and its usefulness. These two qualities are deemed inherent when value is estimated without reference to contingencies, such as an unusual demand in connection with an unusual lack of supply. The former enhances the exchangeable value of the article, and the latter greatly increases that enhancement, but the reverse takes place when the demand is not great and the supply is abundant. Prudent merchants carefully take into consideration all the conditions of the market. The tendency of competition, when judiciously conducted, is to equalize the supply to the ordinary demand, and to be on the lookout for sudden contractions or expansions of either.

154. **Competition.**—When competition is free, in due time it regulates exchange values of merchantable articles by an inexorable law. When the demand is great the selling-price is enhanced, then capital and labor finding an opportunity for profitable employment speedily produce the requisite supply. On the other hand, when the supply is greater than the demand, the purchasing-value of the commodity is diminished and capital and labor in that sphere of manufacture are not sufficiently remunerated. This state of the market is often the result of injudicious over-production, which financial common-sense ought to have provided against. Competition has the tendency to make cost the standard of value, as when the facilities created by machinery increase the production more rapidly and at comparatively less expense, the effect is to lower the price of the commodity. It is very often the lack of

foresight on the part of the manufacturers themselves, that these great fluctuations in the amount of articles produced occur, and also as a consequence their lower exchangeable value.

Variations in Value.—The variations in value, however, often depend upon other circumstances, as when the commodities are of an unusually perishable nature, such as fruits or fish that decay quickly or lose their freshness. On the contrary, commodities that are not so liable to perish nor depreciate for a reasonable time can be kept on hand till there is a demand for them. Usually, manufactured articles can be rapidly supplied in order to meet the wants of the people, because the facilities for their production are exceptionally great. On the other hand, a short supply of food, such as the cereals, takes a full year in the course of nature to meet the deficiency, and in consequence the fluctuations in the value of food articles of prime necessity are greater and more lasting than those of manufactured goods of any kind whatever.

155. **The Necessity for Exchange.**—It is clear that there would be but little progress in making available for man's comfort the bounties of God in nature, if there were no exchanges of the products of labor. The members of a household cannot supply all their wants from the materials they have of themselves alone; they must depend upon others by means of exchange for a large portion of what they desire. This necessity pervades the households of all civilized

communities and it promotes the greater comfort of the whole, since the members are mutually dependent upon one another, each one supplying a certain amount of his surplus to his neighbor. This mutual dependence is not limited to the narrow bounds of a neighborhood, but extends, especially, throughout our own Nation, and in numerous instances goes beyond and reaches foreign ones. The merchant comes in as the agent of both parties, and takes measures to collect from all parts of the world the commodities that are desired by his neighbors and customers.

Thus we see that man as a social being, in the wonderful combinations that produce his comforts of life, depends very much upon his fellows, and even upon those far beyond his immediate vicinity; for this mutual dependence links in sympathy and interest all civilized peoples. The field of exchange covers the whole world, and by promoting commerce aids in the extension of civilization, and of almost every form of industry by which nations are raised to a higher grade of intelligence and refinement.

156. **The Effect of Exchange.**—This interchange of commodities within the United States themselves induces a remarkable diversity of industries, in which the genius of the American people has full scope in utilizing the bounties of nature, while each individual, if judicious, can engage in that employment which is adapted to his capacity of mind or of strength. Though he produces but one article, yet he can exchange it for the labor-product of others, which he

may need, and thus both parties are benefitted. This system of free exchange stimulates to labor. Were it otherwise there would be scarcely an inducement to practice industry, as its proceeds could not, to much extent, be made available for the workman's own comfort or benefit. On the other hand, when facilities are abundant for making exchanges in order to satisfy the desires of the people, all portions of society are stimulated to industry. This activity of mind and body induces a higher grade of civilization—the people, meanwhile, advancing in culture and refinement, their desires increase for articles that afford pleasure to their æsthetic tastes however diversified.

157. **Exchange within the Union.**—There is no other nation in which the stimulus for the exchange of products is so great as in the United States, there being within them a home market—free and untrammeled—for all the industrious inhabitants. The people are peculiarly homogeneous, nearly all the whites being derived from the Anglo-Saxon race, while immigrants of other races coming in soon assimilate with the natives. This may be said especially of their children, who through the influence of our public schools, wherein they are taught the English language, grow up to become genuine Americans. Our territory in extent—excluding Alaska—lacks not much more than the areas of the States of New York or Pennsylvania of being as large as all that portion of Europe which is available for cultivation or pasturage. We are one people under the same general government in which all have

a personal interest, enjoy the same freedom, civil and religious, and are bound together by ties of a brotherhood hitherto unknown among a people so numerous. In our public schools, the English language—a bond of union and sympathy among the people—is taught all the children of the Nation. This is quite in contrast with Europe, with her more than a dozen nationalities, speaking almost as many different languages; having, when compared with our Nation, little sympathy with one another, but rather are they antagonistic, especially in their industries, as viewed by political economy.

Our fertile soil, rainfall and sunshine, combined with the diversity of our climate, secure the production of the essentials for human comfort—the cereal grains and orchard fruits of the middle and northern portion; the semi-tropical fruits of the southern and the fibers—wool, flax and cotton. All these unite in making us a Nation independent of the rest of the world in respect to the essential comforts of life, while by exchanging our surplus with foreign nations, we obtain all we want of that which is produced outside our own domain—such as raw silk, tea, coffee, chocolate, spices, dyestuffs, rubber, gutta-percha, etc. In every portion of our land the inhabitants are free and untrammeled, and if they use the proper means can obtain employment and engage in the industries suitable to the climate, their own surroundings and their personal inclinations.

158. **Exchange of Home Manufactures.**—The com-

modities to be exchanged among our own people are not limited to the products of the soil alone, but include those of the numerous mechanical industries that are carried on within our land, the manufacture of all kinds of fabrics that add to human comfort, as well as those pertaining to utilizing our storehouses of mineral wealth. The American people have the capital to invest and a population sufficiently numerous and intelligent and willing to be employed in making available for their own benefit their vast natural resources. We have within our own boundaries the productions of the temperate zone, and also of the sub-tropical, and, by domestic exchanges and means of our surplus, we can obtain all we desire of the tropical.

159. **Exchange is Division of Labor.**—The entire system of exchange in its complexity is one form of division of labor similar to that involved in the separate industries that combine to produce an iron steamship, a piano, or a sewing machine. These various departments are dependent for their success upon one another, and in the end mutually confer benefits on the people at large. In conducting these exchanges different parties in divers ways devote their time and energy to the work. The term merchant in its several applications is used to designate the importer or the exporter; the wholesale and the retail dealers—the latter reaching the consumer directly—the agent, commission merchant and the jobber. Then come in the bankers, the brokers or dealers in exchanging

money; insurance men or companies, and underwriters. Upon the whole, this system of exchange in the course of time, since the people are becoming more enlightened and their desires correspondingly increasing, has grown to be exceedingly complex, having many divisions and sub-divisions. Notwithstanding these difficulties in the way, all the parties concerned in the work are so interested in its perfection, that it is marvellous how quietly and effectively the wants of the people are supplied by this unique machine—known as *exchange*.

XXI.

MONEY.

160–170. In the early ages of the race, mankind, in obtaining what they wanted but which they had not of themselves, exchanged their surplus of other commodities for it. This class of exchange is known as *barter*. In these early times barter answered the purpose, and the estimated values assigned the articles to be exchanged were agreed upon by the parties concerned. In process of time silver was discovered, and no doubt because of its beauty and brilliancy attracted attention, but perhaps only to be worn as an ornament. The form of expression in the first recorded instance in which silver was used as a medium of exchange in a payment (Gen. xxiii: 16) shows that it had already been in use in trade and so long as to have become a recognized medium of exchange, for Abraham paid "four hundred shekels of silver, *current with the merchant*."

161. **Standards of Value.**—The standard of value in exchange was not always in past ages, and among different peoples, gold and silver. They often adopted other metals. In Sparta iron was used, and tin in ancient Syracuse and also in Britain, and in modern

times platinum in Russia, while among the earlier Greeks and Romans cattle appear to have been used at first as a medium of exchange or standard of value and afterward, when silver came into use so much as to be coined, there was stamped on it the figure of an ox or a sheep. The Latin word *pecunia*—meaning money—is evidently derived from the word *pecus*, flock or cattle. But as mankind advanced in civilization their wants became more numerous and complex; improvements increased in making articles that promoted their comfort. At length silver becoming more common was finally stamped by the respective governments and recognized at a definite value in exchange for other commodities.

The value of the silver was estimated on the basis of its inherent properties; that is, it was worth of itself the value assigned it by the authority of the stamp, which only authenticated its weight and purity. Thus its value came to be the recognized standard by which the respective values of other marketable commodities were estimated, and this led finally to its adoption as a common medium of exchange. Silver thus became prominent in the more modern commercial world owing to its abundance. Subsequently the Spaniards obtained possession of Mexico (1521) and afterward of Peru. Since the discovery of gold in California (1848), that metal, being more valuable, say about sixteen times as much as silver, it in consequence became the leading medium of exchange or the basis upon which merchants estimate values.

162. **Coinage.**—As we have seen, silver was used in very early times as a medium of exchange, while gold is mentioned afterward in a similar relation, it having remained much longer undiscovered. They both were thus used because of their intrinsic value, and in time by general consent they were accepted as such in trade. Several reasons are given why these two metals are adopted in making exchanges ; one that they are virtually imperishable, their color and beauty being scarcely susceptible of tarnish. They can be easily distinguished from other metals ; they can be conveniently divided into small pieces, each one retaining its value in proportion to its size.

Large amounts of money-value in gold can be easily carried, owing to its small bulk. The combination of such qualities render these metals peculiarly adapted for a common medium of exchange in business. Two conditions—purity and correct weight—are essential in order to make these exchanges simple and easy in their operation. At first both metals had to be weighed, as was silver in Abraham's time, while in respect to their purity there must have been much liability to fraud. When mankind became sufficiently civilized, these difficulties were obviated by the governments coining the precious metals, thus securing not only their proper weight but also their purity. As representatives of their subjects or people, patriotic and just governments have no inducement to issue spurious coins, while it has no right or authority to assign purchasing-value to the precious metals—that depends upon other conditions.

163. **Coinage in Ancient Times.**—Herodotus relates that the Lydians coined money one thousand years before the Christian Era, that is, eight hundred and sixty years after the time of Abraham. The assaying or testing of gold was introduced into Britain in A. D. 1130. In a pure state gold and silver are both comparatively soft and, if coined in their absolute purity, would soon become diminished in value in consequence of their decreased weight caused by the wear and tear in their circulation. Chemistry discovered that gold was hardened by being mixed with silver, and that the same effect was produced in silver when it was mixed with copper. In order, therefore, to protect as far as possible these metals from diminishing in weight when used as coin, they were both alloyed when preparing them to be minted.

164. **Coinage in Modern Times.**—The American gold dollar contains 23.22 grains (troy) of pure gold in connection with 2.58 grains of alloy (silver); the gold dollar, therefore, weighs 25.8 grains. The American silver dollar contains 371.25 grains of pure silver, to which is added 41.25 grains of alloy (copper); the silver dollar, therefore, weighs 412. 5 grains. In weighing gold coin, the alloy is not reckoned. The usual ratio of value between the precious metals is about one of gold to 15.988, or nearly sixteen of silver; that is, one ounce of gold is in value virtually equal to sixteen ounces of silver. The "standard weight" is made up of the pure gold and silver, combined with their respective alloys—the latter being since 1837.

one tenth of either coin. Our three and five-cent pieces contain each 25 parts of nickel to 75 of copper; the cent is made of copper. In England, since 1816, the gold "sovereign" weighs 123.274 grains; it stands for the pound sterling, which is the national unit of English currency.

165. In the United States, especially, circumstances have sometimes caused variations in the relative value of these metals, as when there was a large influx of gold from California beginning in 1848, and from Australia commencing in 1851, and also after 1873, a similar influx of silver from Nevada. Formerly private persons could bring their gold or silver bullion to the mint and have it coined, at no expense, under a rule or law known as "free-coinage," but by a law enacted in 1878, the Government no longer grants that privilege to citizens; on the contrary, it purchases and coins its own bullion. One reason for the adoption of the latter rule is that the custom of free-coinage is so liable to be abused. For illustration: the coined silver dollar is in use, and bears the usual relative value to the coined gold dollar, when suddenly there occurs an unusally large output of silver from the mines. The owners of such silver bullion could demand under "free-coinage," that it be issued in dollars from the mint, every one of which would be below the gold standard in value. Notwithstanding this, debts could be legally paid in such dollars, and to the disadvantage of the creditor; but the Government by controlling the coinage can, to a great extent, prevent such disastrous

results. All European nations have adopted the same rule as to free-coinage. The legal ratio is one of gold to fifteen and a half in Europe, while it is, virtually one to sixteen—that is, one ounce (troy) of gold is worth sixteen ounces of silver in America. Since 1873, owing principally to the immense output of the mines of Nevada, silver bullion, relatively to that of gold, has declined in purchasing power, and has varied so much that an ounce of gold has equalled in value even as many as twenty-two of silver.

"Gold and silver are hardly competing currencies, but gold is rather the currency of capital and the wholesale trade, and silver of labor and the retail trade, except in so far as bills and notes, large or small, may supersede both gold and silver." Baron A. Rothschild, as quoted by Prof. Denslow, says: "Whether gold or silver dominates for the time, it is always true that the two metals concur together in forming the monetary circulation of the world, and it is the general mass of the two metals combined which serves as the measure of the value of things. In countries with the double standard, the principal circulation will always be established of that metal which is the most abundant." (*Economic Philosophy*, p. 364.)

166. **The Standard of Value.**—Coined money is recognized as a universal standard of value, and to this standard the price of all commodities conform. That being the case, exchanges can be made rapidly and accurately. By this means the products of all kinds of labor can be estimated and exchanges made. We

may suppose the farmer with a wagon-load of wheat, apples and other produce, going into the neighboring village, in order to exchange the various articles of his load for the supplies he wants for his family. The market price of his wheat, apples, etc. is soon estimated in money value; in the same manner the price of tea, coffee, calico or whatever else he needs, is estimated by the same standard, and the exchange is speedily made to the satisfaction of both parties. It is on a similar but vaster scale, that the commerce of the civilized world is conducted. Money in this sphere of usefulness is used in respect to values in a manner similar to a foot-measure or a mile in relation to distances; or the ounce or the pound in deciding the weights of substances. Gold and silver are the products of labor, as any other material that is prepared from the mine or raised from the soil, and must have cost exertion, while they have an element, that of utility, within themselves, which excites a desire for their possession.

167. The labor saved by such a universal medium of exchange as gold and silver may be illustrated by a common occurrence in any of our commercial cities. A draws from the bank a ten-dollar gold piece or bank note. With it he pays a debt to B and B does the same to C and so on till toward the close of business hours F deposits the same gold piece or note in the bank. That is, during the business day the gold piece or note paid five debts, or was exchanged that many times. We see from this illustration

that, in facilitating exchanges in the modern commercial world, money is a valuable labor-saving machine. It is essential that a medium of exchange, which serves as a standard of value, by which every commodity in the market is priced, must have that measure of value within itself. In other terms, gold or silver coined pieces, large or small, if there were no stamp on them designating them as coin, would bring the same price as simple bullion or uncoined metal. "Only a thing of value can measure value." While on the other hand the bank-note represents on its face the value of the gold called for, yet it is used just the same as a matter of convenience, but only when men have faith in its promises to pay.

168. **Bimetallism.**—The two precious metals, gold and silver, are each used as a medium of exchange; the former being the more valuable takes precedence, while the latter becomes subsidiary or fractional and is used in payment of small amounts. The adjustment of the relative and respective values of the two metals was an outgrowth in the course of ages among the people in their commercial or trade exchanges, and as an expression of public opinion, laws came to be enacted fixing the already recognized ratio of value between the two. Thus bimetallism stands "for the legal use of both gold and silver in our coins, at a fixed ratio to each other." The most valuable—gold—became a legal tender in the United States to any amount of debt and silver to a limited extent—ten dollars—for the same purpose.

169. **Legal Tender** is that which the law authorizes to be tendered in payment of existing debts; that is, when a debt is owed and there is no specification as to the mode of payment. The law, therefore, does not interfere with contracts that are made as to other modes of payment. Under these conditions, the respective amounts of gold and silver when tendered must be accepted by the creditor; for, if refused, the debtor is no longer legally liable though he may be morally. If both metals were legal tender to any amount great injustice might be done by payments being made in the cheaper, since the ratio of value between the two is subject to fluctuations. In small sums the amount of difference in the ratio of value between gold and silver is so little, that in ordinary trade it is not worth while to exact it, though in very large payments the aggregate amount would be worth reckoning.

170. **Fluctuations in the Value of Gold and Silver.** —The ratio of value between gold and silver is liable to vary, but even the latter, when compared with the ratio of values between other commodities, is exceedingly small, while the recognized value of gold is wonderfully stable. If commercial nations would agree upon a uniform ratio between the two precious metals and use both in trade, making gold a legal tender for all payments and silver for a limited amount, it is thought that on this basis both metals could circulate very much to the advantage of commerce.

More than one hundred years ago the output of the silver mines of Mexico lowered its value when compared with gold, then again the vast output of the gold mines of California and Australia (1849 and 1852) lowered its ratio somewhat in comparison with silver, and afterward the immense quantities of silver obtained from the mines of Nevada (1874) lowered its ratio with gold. Such are the natural consequences of large productions on the one hand and of small ones on the other.

These fluctuations of value between the metals themselves scarcely affect the exchange in the ordinary course of business. They look more formidable in reports than in commercial transactions. At one time the United States had, strictly speaking, only a silver currency, but since 1834 they have had practically a gold one; that is, gold was used for large payments and silver for small ones; but in 1874 the United States adopted the single gold standard. The latter mode prevents, to a great extent, the influence of sudden fluctuations in the rated value of either metal.

XXII.

CREDIT.

171–182. If we recognize that the confidence of man in man influences them in their business transactions, we shall not be surprised to find that success, to a great extent, is based upon that principle. It may be said that the whole fabric of a Christianized civilization rests chiefly upon the mutual confidence—trust in, as the word means—which the people have in one another, though there may be individuals in every community who have not the full confidence of their fellows—but these are exceptions. Upon this important element in society is based nine-tenths of mercantile transactions, from the simplest to the most complex and extensive. In an ordinary and simple trade confidence is required for the article purchased may be imperfect or the money paid may be spurious.

This principle pervades all relations wherein persons are hired to perform certain duties, the perfect performance of which depends upon the integrity of the person employed. The farmer trusts the mechanic who makes or repairs his utensils; the merchant gives credit in expectation of future payment to the farmer or the mechanic who purchases goods at his counter, and both these have confidence in the fair dealing of the merchant himself. This mutual confidence in the integrity of the purchaser and of the seller stands out prominently as the foundation of credit.

172. **Forms of Credit.**—One form is that of book accounts in which entries of purchases are made and for which payment is expected in due time, each party having confidence in the honesty of the other. Another form is that of loans, as when A has a surplus of wealth on hand in the form of money, which he is willing to entrust at a certain rate of interest to B; the latter wishing to employ it as capital in his business. This money thus borrowed on credit and used as capital is to be returned in kind, both principal and interest, unless provided for by some other arrangement.

173. **Credit Given Banks.**—Another form of confidence that pervades the community is shown when persons, having money, which for the time being they do not require for personal use, deposit it in the bank. On the same principle of confidence or credit, the bank loans these aggregated sums to those who wish to utilize them as capital in various kinds of business. The depositor receives a certificate of his deposit in his bank-book, and he is at liberty, at any time, to draw out his money.

Sometimes confidence leads persons to invest in stocks, it may be in an association for carrying on manufacturing, or for building and operating a railway, or for banking purposes, etc. The investor receives a certificate of stock from the association, whatever it may be. Because of their confidence in the integrity and management of these associations or corporations, the people entrust to them their money, thinking to invest it safely and to good advantage. These certificates are property, and are treated as such, since the owner can transfer them like any other class of property.

174. **Bonds.**—Bonds, another form of credit, are often issued and sold by cities or corporations or States, and the money paid for them is really a loan to the parties issuing the bonds. They are received as property, and are an evidence of the credit given to the promises to pay, which at a certain time are to be fulfilled. Such bonds become articles of sale and exchange to an extent that, dealing in them as property has become a regular and recognized form of trade. So long as confidence remains firm in the basis on which their financial value rests, they pass from hand to hand as merchantable property, but sometimes reckless speculators—those pests of the financial world—render the market prices of these stocks unstable, though their basis may be undisturbed.

175. **Bank-Notes.**—Another class of credits is that of bank-notes, issued on a basis that secures the confidence of the people, or of the government. These bills are used as currency but they are in the form of promissory notes, yet so great is the confidence in the ability and the willingness of the Government to pay, that they pass from hand to hand as freely as if they were

gold pieces of the same denomination. They are known as paper money. Another important class of credit which prevails extensively in the community, we may characterize as private; this is in the form of promissory notes from individuals. The class of currency issued by the Government and popularly known as greenbacks from their color, simply base their credit on the promise to pay. In addition we have the notes of the National Banks, whose credit is based on government bonds owned by them, and held at the United States Treasury as security to meet these notes. (See p. 187.)

176. **The Basis of Credits.**—Credit, to be trustworthy, must have a substantial foundation in real wealth upon which is based the confidence of the public. When we analyze business of every variety, we find that wealth, present or prospective, is the basis of credit. Though of itself alone, credit is not capital, yet it commands capital.

177. **The Utility of Credit.**—Each one of a number of persons may have a little surplus in the form of savings or legacies, but they are themselves unable to use this wealth in such manner that it would yield an income, yet by means of a broker or a bank, they may loan this money on credit, and receive from it interest or dividends. The aggregated thousands thus loaned really belong to the lender, as they are secured by mortgage or otherwise, while the borrower has only its use. The latter, by diligent and prudent manage-

ment, makes this borrowed capital pay interest as an income to the lender, and something more to himself, so that in time this surplus so accumulates, that he becomes able to pay back the principal, and thus become the absolute owner. Thus through mutual confidence and judicious use of credit, both the lender and the borrower are benefited.

178.—The advantages are almost innumerable that accrue to mercantile or industrial enterprises through the medium of credit properly based, for in such spheres it is most effective in utilizing the natural resources of the country. This system brings into active service the business or industrial talent of the community. How many men there are in society, who have fine business abilities, but for lack of capital that credit would bring within their reach are unable to exercise their talents, and thus indirectly benefit the people at large. Mark the contrast, when by means of capital thus borrowed their energies may be prudently exercised, while every business enterprise that is managed judiciously is widespread in its beneficial influence. From these illustrations it is clear that credit, under proper conditions, brings into active use much of the capital that lies hidden away by private individuals and, by so doing, benefits in numerous ways the whole community.

179. **Checks, Bills of Credit.**—Every check that is drawn upon one bank by another, for the time being is only a bill of credit based upon funds deposited in the

bank thus drawn upon. This is the presumption in such business transactions, not only in the frequent exchanges made within our own country, but the same principle extends to foreign lands. The whole commercial interests of the world would become stagnant were it not for the active exercise of a judicious credit-system, that is based on wealth and the confidence of man in man. The facilities for these exchanges of credit are greatly increased in large trade centres where clearing-houses have been established. These are a sort of central bank where the financial transactions of the city and vicinity for the day, are adjusted and balanced in a comparatively short time, perhaps not more than an hour.

180. **The Clearing-House.**—The process is simple though apparently complex. A number of banks associate together and establish a clearing-house. Each one of these has customers who deposit the checks which they have received from individuals, drawn, it may be, on the other banks belonging to the association. These individual checks are now the property of the bank in which they are deposited, but instead of sending a clerk to draw the money, the latter takes to the clearing-house all the checks his bank may have on the other banks of the association. He hands them in, and the person whose duty it is, distributes them to the desks of the banks upon which they are drawn. But the latter have also checks drawn upon the other banks of the association; these are likewise distributed in the same manner.

The amounts called for by the various checks are made known and the balance is struck between them. This balance is paid in cash or by check on the debtor bank.

This principle of balancing accounts is made to apply in effect between different cities, and likewise in foreign financial transactions.

181. **Credit May be Abused.**—Though credit is not capital, yet as its representative, it is a purchasing power that performs its functions. For illustration: a merchant makes a purchase for which he is unwilling to pay cash down, but gives his note payable in say, three months; his credit being good that note is accepted by another merchant, and under the name of "mercantile paper" it passes from hand to hand until it finally comes back to the original giver and is honored by being paid. This piece of mercantile paper in the course of its exchanges may have paid debts, made purchases, raised money and performed all the functions of the ten-dollar note or gold piece we instanced, that started on its exchanges and the same day reached the bank again at the close of business hours. This successful piece of mercantile paper is assumed to have as its basis of credit real wealth, but in such cases there is always a liability of failure on the part of the merchant who issued the note to cash it when it becomes due. Numerous contingencies intervene, moneys due from customers may fail to come to hand, fires may consume his store and merchandise, similar reverses may render him unable to meet his obligation,

and yet he had not designedly committed a fraud. It was his misfortune; but even then does there not linger in the minds of his fellow merchants a doubt as to his prudence as a business man?

182.—Credit is abused when given too freely. A ring, as it is called, of a few business men agree to endorse in turn for one another, and often to an extent that if even one were unfortunate the result might be the bankruptcy of the whole. Such action involves so many risks that it becomes a gross abuse and near akin to swindling. Wild and reckless speculations are sometimes entered upon by those who use borrowed capital only, which in truth does not belong to themselves but to those who loaned it to be used in legitimate business. There are numerous other ways in which credit is abused; as in living expensively instead of economically. Sometimes men of honorable position in society have failed in this respect. To them may have been entrusted funds, belonging even to widows and orphans, to invest, of which they are to take such charge, that the principal, at least, should be safely kept, even if, occasionally, the interest or dividends may be diminished. But how often by the abuse of confidence these funds have been squandered by being used without authority in outside speculations!

XXIII.

BANKING.

183–190. The present system of banking is the outgrowth of necessities in the commercial world. Banking had its origin in Italy during the Middle Ages, but in modern times it has been subjected to changes and improvements in order to adapt it to a commerce much more extended. The system of to-day may be justly characterized as a vast financial labor-saving machine, because, from the facil ties it affords, the labor of counting and transporting coin or bullion in mercantile transactions is almost dispensed with. Instead, the work is speedily and safely performed by using a few figures and penning a few words. In this process we see genuine credit—that based on wealth—systematized to such an extent, that in the busy marts of trade, loans are obtained, collections made, debts paid, and all within a few hours. In order to facilitate these exchanges it is essential that the bank have on hand sufficient capital to meet all demands. When thus equipped it becomes a depository of money, which is credited to the several depositors, who by means of checks—bills of credit—can transfer to another any portion of their money thus held in trust.

184. **Benefits Derived from Loans.**—Another advantage is that the aggregated amount of money in the bank can be utilized as capital by being loaned on good security to business men, and thus made to advance the industrial interests of the people at large, thus giving opportunity for employment to those who wish it, and thereby promoting the interests of the business men or manufacturers, while the latter by their judicious enterprise are conferring benefits upon the whole community. The process of obtaining loans is quite simple. The individual who wishes to borrow goes to the bank—which is in truth a money market—and gives the required security for the return of the loan at the time designated ; and thus obtains the funds he desires to use in his business. The bank is remunerated for its part in the transaction by what is termed discount, which is paid in advance, and is another name for the interest that would accrue on the loan at the end of the time specified. In order to close the account, it is now only required to pay the original amount that was borrowed.

185. **Promissory Notes.**—One mode of obtaining money from the bank is that of selling its promissory notes. Suppose A has a note at hand from B for $10, 000 due in three months, but the former wishes to use the money at once, and he has it discounted at the bank. The bank accepting B's note with A's endorsement or other security, really buys it and gives A the money, less the discount, and at the end of the three months collects the full face of the

note from B, and has for its profit the discount already paid. The money may not be handed to A at once, for he may not desire it in bulk, but he is at liberty to draw it out at pleasure, or he may transfer by check the amount or portions of it on the books to whom he will.

186. **Issue of Notes or Bills.**—Banks can, if they choose, issue their own notes on certain conditions that are imposed upon them by their charters. These issues are in the character of promissory notes payable on demand at the bank and as such, in ordinary business, pass from hand to hand, but if paid at the bank the latter can afterward issue them again, and have them pass as currency until they are worn out. They are accepted in trade at their face value, their credit being based on wealth in the vaults of the bank which they represent, and, as a convenience to the seller and the purchaser, they circulate in business, thus performing the functions of coin in their purchasing power.

187. These notes thus used as currency are so much more convenient in business, that in practice they are preferred to the gold and silver which they represent. The aggregate amount of the notes should be proportionate to the amount of specie in the vaults of the bank. Laws in different States vary on the subject. Suppose a bank has $100,000 in coin or acceptable securities within its vaults, and it issues notes to the same amount, the holders of the notes would have

ample security. First, there is the equal amount of specie in the bank itself, and second, the obligations of those who originally borrowed its notes and put them in circulation. Sometimes, in order to protect more fully the holders of these notes, the law makes the stockholders liable to the amount of their individual stock.

188. It is assumed that notes of the bank may be issued to an amount greater than the specie in their vaults; such extra amount becomes clear gain to the bank. It is deemed that the risk is not very great of a simultaneous run by all the holders of its notes upon the bank—that is, when they are presented and payment demanded in specie—since such bills in the hands of the holders are scattered far and wide, and the owners would not likely present them in concert. Such contingencies have been provided for in respect to the redemption of the notes of the National Banks.

189. **The Savings-Banks**—as the title intimates—were the outgrowth of a benevolent sentiment to aid people of limited means in acquiring the habit of saving their surplus earnings, however small, by depositing them in banks for savings. In order, as much as possible, to secure these moneys for the depositors, the banks loan them, usually securing them by mortgages on real estate, that being deemed the most safe. Yet some other securities are also reckoned safe, such as United States bonds. These banks pay to depositors their interest semi-annually, but

at a rate which is not so high as that of other banks, since the compensation is in the safe-keeping of the funds.

190. **Commercial Banks.**—Another class of banks is known as commercial. They rely for funds, usually, on temporary deposits by men engaged largely in business. Their moneys are loaned for a short time only; such as for thirty, sixty or ninety days, and on personal security. The interest—that is, discount—is reckoned by the day also, and paid in advance. The business of these banks is so conducted by checks, that the system is simply that of credit—coin being scarcely ever transferred in the transactions.

XXIV.

NATIONAL BANKS.

191–194. **State Banking.**—Previous to the establishment of the present National banking system on January 1, 1863, the separate States were accustomed to give charters for banks, which policy they can yet exercise, but under certain conditions. The charters for state banks in former times were often loosely drawn, of which feature dishonest men took advantage and thus defrauded the community. These state banks would frequently commence business ostensibly on the amount of capital named in their charter, but which was in truth specious, since scarcely any coin was placed in their vaults, but instead oftentimes the stockholders would merely give their personal notes for the amount they subscribed. Even if these stockholders intended to do right by the depositors, it was a very unreliable basis upon which banks should issue their notes, though they often did, and circulated them far and wide, and to an amount much greater, sometimes, than the capital named in their charter.

At length these notes came back to be redeemed, but they found but little coin in the vault of the bank, In consequence, by due process of law the bank was declared bankrupt and the holders of its bills lost the amount they called for and without redress. One instance is on record of a bank that had its bills to the amount of more than $500,000 circulating in the community, while to redeem them it had in its vaults only $86.46 in specie.

There were, of course, exceptions to such wholesale villainies, but the entire system needed reforming. Even if the bank had a capital paid in, it was a risk to issue notes to an amount more than the capital, as was the custom, since if they should be returned in great numbers the bank would fail.

192. **Efforts to Remedy the Evil.**—Many measures—which we need not detail—were introduced into the legislation of the several States to remedy these evils, but they were only partially successful. Before the National banks came into existence the notes of the best managed state banks circulated at par only within their own boundaries or to some extent along the respective State lines where their character was known, but further off they were held at a discount, more or less, or did not circulate at all. Under such conditions there could be no National banking system, gold and silver being the only medium of exchange that was accepted throughout the Union. So great were these discounts that they amounted annually to many million dollars, an enormous burden on the business of the entire Union, while at the same time they enhanced the price of every article bought and sold.

193. **The Financial Basis.**—Relief came when the Na-

tional banking system was established. The financial basis of this class of bank-notes was at once recognized as substantial throughout the Nation. In consequence, from the hour of their issue they were given and taken at par everywhere, and business was relieved of the burden of the enormous discounts; such an era of good money had never been known in the land and we have had no bad money since. The system is so arranged under a general National law, that there can be free-banking but no monopoly, as every district or neighborhood in the land can have a National bank if the people want it, and take the proper measures. If five persons think proper, they can join in a corporation, comply with the conditions, and establish a bank; they can carry it on, and, if it does not pay, they can wind it up, call in the notes they have issued, and withdraw their pledged bonds lying in the United States treasury, and no one holding their notes can possibly lose a dollar. There is no distinction in the value of the bills issued; the National Government equally guarantees the notes of a bank with $50,000 capital as it does those with $10,000,000.

194. **Capital Obtained, How?**—These banks are required by their charters (1863) to purchase for their full capital the requisite amount of United States bonds, all of which must be paid in before they can go into operation. On these bonds the Government pays the bank the regular interest, but it retains the bonds themselves on deposit at the treasury for the purpose of redeeming the notes, if necessary, that the

bank may issue. In addition, the United States treasury stands guard, that these banks shall not over-issue, for the law permits only nine-tenths of the capital to be issued in the form of notes—that is, if the capital is $100,000 the issue in notes can be only $90,000. Still further in order to prevent fraud by over-issue the treasury department itself prints and issues these notes in due form, and keeps an account of such sum with each bank, in order, the more surely, to secure the holders of the notes in case of the failure or winding up of the bank. No person has ever lost a dollar by taking in payment a note of a National bank.

To make the system uniform throughout the Union every National bank is enjoined to accept under all circumstances, the notes of any other National bank, no matter where located, because their full value is secured at the Treasury in Washington. It is consistent that a free and safe National banking system should be coterminous with the system of free-trade that obtains among the individual States of the Union.

XXV.

FREE-TRADE AND PROTECTION.

195–213. It falls clearly within the province of political economy to treat of these two systems—so in marked contrast with one another. There are numerous reasons, among which is our continuous progress in mechanical industries, that make a full and impartial discussion of this important subject appropriate in a political economy designed for American youth. We will endeavor to give a summary of the reasons in behalf of each theory as set forth by its respective friends. The pupil will obtain a clearer view of these two economical theories in their relation to our own country if he carefully bear in mind the peculiarity of our two governments—the National and the State—and of the two modes of obtaining funds for defraying their respective expenses. As already noted (p. 81) the National government derives its means of support, under ordinary circumstances, from duties levied upon foreign property that is brought into the country for sale, while the State obtains its funds from taxes levied upon domestic property. These sources of revenue are separate and distinct.

On the adoption of the Constitution of the United States, the people delegated to the National government the power to guard and regulate all their interests that pertained to foreign nations. The management of these foreign affairs included treaties on the subjects thus involved, and among these was that of the regulation of commerce. The latter item includes the right to impose tariffs or duties upon foreign merchandise brought into our ports for sale.

196. **Taxes Adjusted.**—The Fathers of our Constitution, in their far-sighted wisdom, enacted laws by which the National government was to be supported by a system of indirect taxes; that is, duties imposed upon imported foreign property, while at the same time they showed equal wisdom in having the State governments to be supported by direct taxes, which they themselves were to levy upon domestic property, such as real-estate, etc.

The direct tax is levied on the property at a rate to secure the required amount, and it is collected by means of a tax-collector, who, if necessary, can call the law to his aid in order to enforce payment; while in contrast, the payment of the indirect tax is voluntary on the part of the payer, as he need not purchase the imported article thus taxed, unless he wishes.

197. **The Terms Defined.**—The discussion in respect to free-trade and protection, however modified, comes within the range of political economy, and it will always be a question of peculiar interest to the American people, because of their supporting two separate governments, by means of funds derived from two inde-

pendent sources. The interest in the tariff and its rate of imposts will continue, because of the numerous changes produced in the progress of American mechanical industries, since the products of the latter in respect to their market value must be influenced by the competition of the foreign manufacturer.

Free-trade is defined, as "Commerce unrestricted by tariff regulations or customs duties;" and Protection represents the principle, "that in order to promote home industy a duty should be levied on those articles made abroad, that are similar to those made at home."

In this connection may be mentioned another theory or system of imposing import duties, known as "for revenue only"—which will be noticed further on.

198. The pupil will bear in mind that if we adopt free-trade, pure and simple, both our governments—National and State—will have to be supported by direct taxation in some form on domestic property of various kinds, such as real-estate, incomes, etc., while the foreign property imported for sale, amounting annually to an average say of nearly $900,000,000, would not pay one cent toward the support of either government. It is not in accordance with reason nor justice that one class of property should be exempt from paying its proportion of the expenses of the government, and especially that class which in the course of business pays so much higher percentage of profit than does real-estate; moreover the greater amount of the benefits would accrue to the foreign manufacturer and importer.

199. **Competition Regulated.**—The United States government or Congress can legislate in such manner as to make competition practicable among the Americans themselves as promoters of their own industries. When free-trade prevails competition is thereby made directly between our own manufacturers and those abroad, with the advantage of less cost of production in favor of the foreigner, because of the comparatively low interest, and the low wages he pays. The underlying principle as to the price put upon manufactured articles is, that it be graduated by the cost of production. This general principle, being based on justice and common-sense, has been observed universally in every country. The European manufacturer applies this rule in putting the price upon the articles he makes ; the same principle and practice govern the American. The one independently of the other, regulates the price of his own product, when he puts it on the market, and always in proportion to the cost of its production. In consequence of less wages being paid, the European price can be placed lower than the American. In view of this fact, fairness to the latter would demand that the rate of a tariff should be adjusted in accordance with the cost of producing the manufactured domestic article.

200. Why should not the American manufacturer avail himself of this universal principle in deciding at what price he will sell his own production ? If he pays fifty per cent. more wages to his workpeople than the foreigner, he will, without reference to the latter, grad-

uate the price in accordance with that extra cost. Should he thus act justly toward himself and his employes, he might be confronted, if under free-trade, with similar English articles fifty per cent. cheaper than he can afford to make and sell his own, since the English manufacturer pays, on an average, in wages forty-eight cents, where the American pays one dollar.

201. The National government now interferes and applies its rule of taxing foreign property, imported for sale, in order to obtain its requisite revenue. To levy this impost is a right claimed and granted one to another by all the nations of Christendom. That right being granted, it is a matter of policy with any one nation itself, what shall be the rate of duty imposed. It is difficult for Congress to adjust the tariff so as to secure the needed revenue, and at the same time admit the foreigner on our own soil to sell his merchandise on equal terms with our own people. It would seem fair to impose a duty equal to the difference in the cost of production, and as the wages paid in manufacturing are by far the greatest expense incurred they might be taken as a basis for a fair adjustment of a protective tariff, especially since the average rates of wages in Europe and the United States appear from statistics to be more definitely known than other items of expense.

202. Owing to numerous contingencies, it would seem impossible that an American tariff could be so framed as to be absolutely perfect in respect to the

principle of protection, and at the same time, admit for sale the exact amount of foreign merchandise that would produce precisely the needed revenue. In consequence of the continual progress in the mechanical industries of the United States, and, also, of changes in the modes of manufacturing in Europe, it becomes necessary from time to time, to revise the tariff in order to adapt it more perfectly to the current circumstances.

It may be remarked, that even when the average rates of wages paid abroad are known, the National government imposes on the imported article a tariff, the percentage of which is quite below that average :—For illustration; at the present time on silk fabrics the average tariff is 50 per cent. but were it imposed in accordance with the average wages paid the operatives in the silk factories scattered over Europe, it would be 67 per cent.—that is, the American silk manufacturer pays in wages one dollar, where the European pays on an average thirty-three cents.

203. **Fair Competitions.**—The foreign article after having been taxed, say the amount of the difference in the cost of production, meets the domestic article on equal terms in the markets of the United States, while the duty—as an indirect tax—goes into the National treasury. Both parties are free to sell their merchandise at whatever percentage of profit they choose, while within our own territory is afforded a fair and open competition between the foreign and the domestic manufacturer.

204. **The Extension of Division of Labor.**—The advocates of free-trade argue that if the principle of division of labor, which has done so much for the promotion of mechanical industries in individual countries, were fully carried out between the nations themselves, it would be better for the comfort and success of mankind. They also claim that such international exchanges should not be interfered with by the government, as when such property brought in for exchange or sale is taxed; and they likewise argue, that by means of free-trade some kinds of merchandise can be obtained abroad with less expense than if they were produced at home. There are, it is true, a limited number of instances in which such results are attainable, owing to certain conditions of climate and low wages, or special facilities of labor, as in the production of raw silk, or tea, coffee, chocolate, spices, rubber, etc. The latter articles, however, constitute not one-hundredth part of those commodities that are essential to promote the comfort of the American people. But these extreme cases have no special or practical bearing on the infinitely more important issue, which relates to the almost unlimited number of useful and necessary commodities that are furnished at home, but which compete with similar foreign-made articles. The latter, the American people can manufacture for themselves, especially, when they have within their own territory the varied forms of natural resources affording the raw material in virtually inexhaustible abundance. England has within her own boundaries coal and iron-ore ; why should she not make her own iron? and who has a right

to complain if she does? The same may be said of the United States; and the same general principle applies to any other mechanical industry for which they have the raw material within their own territory.

205. **Universal Free-trade not Adapted to the United States.**—Free-trade with other nations might be adapted to France or England, as the expenses of their single governments would then be paid from the same fund —a direct tax levied on the domestic property of the people. Protectionists argue that free-trade with the outside world would not suit the present arrangement of the American people in supporting two separate governments with funds derived from two independent sources. And we add that except when their patriotism intervenes, they have always chafed under the exactions of a direct tax levied upon domestic property by the National government, while there are no complaints about the indirect tax from those who purchase in a thousand forms, high-priced foreign merchandise, such as the luxuries of art, expensive wines or costly textile fabrics for wear, or, it may be, merely for ostentation. The tendency of the free-trade theory is to extol the assumed benefits derived from international commerce in comparison with those of a home trade. (See p. 124). Let it be borne in mind, that, when our manufacturers and agriculturists have supplied the ordinary wants of 65,000,000 people, they can send abroad their surplus—thus far found sufficient for the purpose—in exchange for those commodities which they themselves cannot produce. This limit of inter-

national trade is in accordance with the aphorism "charity begins at home"—the policy of the American people being to be just to themselves and generous to outsiders.

206. **The Non-Judicious Policy.** — Protectionists argue that it would be poor economy for the American people to waive their right of imposing a tariff on foreign property brought in for sale, and thus, on that basis, invite competition on their own soil with European manufacturers. Much less could they compete successfully with the latter in their own land, since in Europe, owing to an overcrowded population, there would always be a superabundance of workpeople to compete among themselves, and thus bring wages down to the lowest point. Under such conditions, there could be no genuine commercial reciprocity, for in such a market, Americans, when paying fair wages, could have no inducement to participate. On the other hand, the latter have their wheat and flour, Indian corn, beef and other provisions, with their tobacco, cotton and petroleum to send to Europe in exchange for the high-priced articles or luxuries which they may desire, and that without encountering a ruinous competition.

207. **Free-trade Discriminates in Favor of Foreign Property.**—Free-trade contends, that any tax imposed by one country upon property brought in from another for sale, trammels free exchange, and interferes with the freedom of the owner to do as he pleases with his

own. Such laws free-traders deem restriction, since they interfere with the right of exchanging property, and they even sometimes characterize such restriction as a species of oppression or of robbery. They seem to attach a sacredness to imported foreign property, which they virtually deny the property belonging to the American people, inasmuch as the latter must be directly taxed to defray the necessary expenses of the two governments, while in relation to foreign property they would dispense with the import duty altogether. The land of the farmer is thus the more highly taxed, and he pays it out of the produce of his fields; the mechanic pays his in increased rents, and the merchant, also, bears his share of the expense. Free-trade objects to a tax, which, in the form of a tariff, is imposed upon foreign property before it is admitted to this free exchange within the territory of the Union. The question arises, Why should not a case of foreign silks be taxed to supply funds for the National government, as well as an acre of land or a town lot? The free exchange among the people themselves, of the products of their own labor, stimulates their industrial and social life, nor does the presence in their markets of competing foreign commodities hinder this progress, when the latter have been taxed indirectly for the public benefit. Under these circumstances the impulse in each person is encouraged to follow that kind of labor in which he or she can be the most successful. Meanwhile in consequence of this stimulus, there gradually comes into existence a system of diversified industries.

208. **Self-Interest Governs Commerce.**—The advocates of free-trade also urge that free commercial intercourse—that is, in untaxed property—between the nations establishes good-will and mutual friendship; yet the nations in such intercourse are all more or less influenced by self-interest. One finds it for her interest to admit certain articles free of duty, as for instance, raw material, which she cannot produce herself, for the promotion of her manufacturing industries, or provisions to supply her operatives with food, as England admits grain free of duty. She does this as a matter of pure self-interest, and not for the benefit of the nation that produces the food required, nor to promote mutual relations of good-will, though no doubt, such intercourse does engender a sort of mercantile and kindly interest that is reciprocal. England does not admit tobacco from the United States, nor wines from France, free of duty. She decides for herself what to tax and what not, and no one gainsays her right to do so. The American people claim the same right to tax, or not, foreign property brought in for sale. The theory of perfect free-trade between the nations of the earth has never yet been carried out. Every nation admits free of duty any merchandise that she greatly needs and would be benefited more by its coming in free, than if it were in the least restricted by being taxed. There has never been in the history of the world as much kindly feeling in the main, between the nations, as there is to-day, and every one of them, while admitting some article free for its own special benefit, taxes more or less other property that is imported for sale.

209. **The Philanthropic Theory.**—A philanthropic or humanitarian view of free international commerce is sometimes presented by the advocates of free-trade. They assume that by means of such intercourse—untrammeled by import duties—a kindness of feeling is greatly promoted between commercial nations, and they impliedly, at least, censure the American people, because they impose a tariff upon certain classes of foreign property brought in for sale. This implied charge of not encouraging a humanitarian sentiment among the nations is disproved by the fact that the American people, beyond compare, are the most generous on earth. During the one hundred years (since March 4, 1789,) they have been a nation, they have welcomed the many millions who have fled from the industrial and caste oppressions of Europe ; have made them participants of their own political privileges ; have educated their children equally with those of the native-born, thus preparing them to become genuine Americans, that they may enjoy, equally with themselves, the blessings of their own goodly heritage. Still more, since January 1, 1863, they have given, under the same conditions, to those foreign-born citizens—real or prospective—who so desire, equally with the native-born, one hundred and sixty acres of the unoccupied public lands as homesteads, and also, have taken appropriate measures to make these homes accessible by means of railways.

Notwithstanding this generosity, free-trade twits the Americans because they are true to themselves, and are unwilling to admit free of duty foreign manufactured property, that would compete unfairly with the productions of their own manufacturers and work-people.

210. **Historical Statements.**—If American youth desire to understand this important economical question of free-trade versus protection, one that has naturally entered so often into political discussions, they would do well to take a glance at its history. As a financial matter, it was almost the first question that confronted our First Congress in 1789. Previous to the war of the Revolution, England had persistently labored to hamper the native mechanical industries of the American colonists. In numerous instances she prohibited some forms of industry absolutely, and crushed others that dared assert themselves. So prevalent was this spirit in English governmental councils, that even William Pitt—the special friend of the colonists—said if he had his will, they should be permitted to manufacture "not even a hob-nail." The meaning of that declaration was, that every article the colonists needed should be made in England. During the contest of the Revolution, however, necessity brought into existence numerous mechanical industries, many of which were temporary, as they pertained more specially to the implements of war for the defense of the country. The moment our independence was acknowledged and peace concluded, English merchants and manufacturers, under the auspices of free-trade, flooded the markets of the United States with their goods, and at a rate so low that "in four

years England swept from the country every dollar and piece of gold."

211. **Wise Statesmanship.**—The American statesmen of that period, because of their superior political wisdom, had already elicited the admiration of the thinking minds of Europe. Meanwhile the mechanical industries of the youthful nation were in a most deplorable condition. In respect to them, these statesmen had not yet the opportunity to legislate. Such had been the state of affairs, that the leading men among the colonists had been virtually debarred that right by the then Home government. In addition, the American people had now for the most part, to learn to manufacture their own useful articles, which had hitherto been supplied from abroad, principally from England. The First Congress took in the situation and enacted a tariff (1790) to obtain revenue for the support of the National government, and indirectly aid the industries of the people. This law was signed by George Washington as President. The preamble sets forth the design to be: "For the support of the (National) government, and for the encouragement and protection of domestic manufactures." In consequence of this law the people were induced to commence making the most essential articles for themselves, and it was only by means of energy and perseverance they were able to succeed. Their great rival, England, had had the experience of centuries in such manufacturing, and still wielded her unequaled facilities with consummate skill and energy.

212. **Judicious and Protective Legislation.**—Let the pupil bear in mind that the duty levied on foreign property brought in for sale is essential in this indirect manner to secure the proper amount of revenue to support the National government. The result has proved the utility of this policy, since for illustration, with only five exceptions within the last twenty-five years—which small deficiencies were made up by the surplus on hand—it is found by deducting the expenses incident to the Civil War, such as the interest on the National debt, pensions, etc., that the import duties fully paid the current expenses of the National government. These include, as for example in 1891, the expenses of Congress, of diplomatic services abroad of every class, of the war and navy departments, and the annual deficiency of the post-office department, the support of the Indians, and other civil and miscellaneous items. In connection with this right to levy a duty on such property, Congress must exercise judgment in respect to the rate imposed, and so grade the tax as to secure a fair competition in our own markets between the foreign made article and a similar one of domestic manufacture. If our tariff is so high that it does not pay the foreign manufacturer to export his commodities to us, the result will be that none will be imported, and in consequence, no revenue will be received. On the other hand, when the tariff is so low, that the foreign article comes in cheaper than the domestic, since, because of his greater expenses, the American manufacturer cannot afford to produce it, and he withdraws from the con-

test, then the revenue may be increased in proportion, but it will be at the expense of our own workpeople, who are thrown out of that special employment. Judicious and protective legislation strives to reach the golden medium in such manner, that the foreign article may meet the domestic in our own markets in an open and fair competition. By this means both ends are attained; the revenue is sufficient, while employment is given to the American workpeople, and the foreign manufacturer or merchant also derives a fair profit from his commodities thus brought in for sale.

213. **Theory Versus Practice.**—The advocates of free-trade proclaim ideas on political economy that partake more, it would seem, of the theoretical than the practical. This is an inference from the fact that no nation has ever acted on the principle of absolute free-trade as a permanent policy, while all practice, more or less, the custom of taxing foreign property brought into their borders for sale, especially, when it competes with their own manufactures. In some instances there may be exceptions, as when their own facilities for making similar articles are so superior, that they can defy foreign competition. Such is the case in some respects with England. No matter how small the amount of duty imposed, to that extent, it is a protection for those within the limits of the State, who are engaged in making similar articles. Nations sometimes tax commodities for the revenue alone, when such articles cannot be produced within their own territories.

XXVI.

FREE-TRADE AND PROTECTION—CONTINUED.

214–238. **The Two Aphorisms.**—Free-trade has a favorite aphorism ; "Buy where you can buy cheapest, and sell where you can sell dearest." Honorable and prudent men are more anxious to have the means of paying, than the opportunity of buying. Hence honest protectionists express their sentiments on the subject in the aphorism: "Buy where you can pay easiest." This motto is specially applicable to those who earn their living by working for wages. Statistics show that three-fourths of the adults, if not more, within the United States are of this number. As a general rule, in order to make practical this aphorism, the theory of the protectionists is to keep up the wages of those who, as employes, are engaged in classes of manufacture with which the foreign article comes in competition, and this can be done as a rule by imposing a tariff equal to the difference in the wages paid, or the cost of production. It is consistent with this theory of equalization, that, in legislating for the whole people, the welfare of the majority—those who work for wages—should be as well guarded as the interests of the minority, who furnish the capital.

215. **High Wages or Low.**—It is plain that to have higher wages and pay higher for the necessaries of life is much better than to have lower wages and pay correspondingly low for such commodities. Every thinking workman prefers to have higher wages and pay correspondingly high for their comforts, because in that case they can economize to greater advantage than if they had lower wages and were thus limited in their outlay—living perhaps from hand to mouth. In addition it is assumed that the wage-earner, if misfortune does not intervene, will have a surplus at the end of the year, if he is industrious, economical and temperate, and that such surplus will be in proportion to the wages he receives.

216. The protectionists, in proof of the advantage of receiving higher wages and, according to the theory, paying higher for the comforts of life, cite the well-known fact that those who work for wages in the United States have far more in proportion deposited in savings-banks than any other wage-earners in the world. This state of affairs the friends of protection wish to perpetuate by taxing for the benefit of the National government foreign property brought in for sale that competes with our own manufactures. They wish, also, to make that competition generous, fair and equal; to avoid monopoly on the one hand and secure the required revenue on the other. To accomplish this end perfectly is scarcely possible, since legislation, however judicious, can only approximate such perfection, because of the numerous influences that

often change the relative conditions of the home production as compared with the foreign. This disturbing element may be in an increase of cheaper raw material or the reverse, or in improvements of machinery or in enlarged facilities for reaching a market. Under such or similar circumstances, it becomes necessary sometimes to revise or readjust the schedule of the tariff; this should be done in such way as not to work injustice to the wage-earners nor to those who furnish the capital. Under such conditions home competition results in giving employment to the workpeople and also in lowering to a just and reasonable price the articles produced.

217. **Successful Industries Mutually Beneficial.**—Thinking American wage-earners recognize that nearly all the necessaries of life which they purchase for their families, such as house-room, food and clothing, are furnished by their own neighbors and countrymen. They require and use very little outside of what is thus produced; perhaps not one dollar in thirty or fifty of their earnings is expended in purchasing foreign-made articles. They, for instance, buy tea and coffee, which are foreign products, but the duty was removed from both these in 1872 and from chocolate and the spices of the tropics. Thus it is seen that the American wage-earners of to-day, when supplying their ordinary wants, exchange with one another their respective products. American workpeople, as individuals, need and use comparatively little of what they themselves make, but owing to the diversities of indus-

tries they supply one another by exchanging with their own countrymen their respective products. The farmer of the Northwest exchanges his wheat or flour for the manufactured goods of the East. This extensive free and untrammeled interchange constitutes the American home market—the most extensive and perfect in the world. It follows, that it is for the advantage of those employed in mechanical industries, that these should be diversified, and that all should be successful. Protectionists instance the well-established result that if one industry is discontinued, its workpeople, being thus thrown out of employment, cannot afford to be idle, and they immediately seek work in other industries which become crowded with operatives, and this unusual competition lowers the wages of all concerned. The sum of the matter is, that successful and useful industries sustain one another; they give employment to wage-earners who easily supply their wants and at reasonable rates on the principle of the common, but humane proverb, "live and let live." Home competition by means of this free exchange of commodities within our own land creates a home market that is of untold importance to all the American people.

218. In this connection the aphorism, "Buy where you can pay easiest," seems to be peculiarly applicable to those Americans who work for wages. The only commodity they have for sale or exchange for what they wish is their own labor, and this they must sell where they themselves are present and employed. If a

working-man hires a house for his family, and contracts to pay its rent by his labor, for that reason it is cheaper for him, because he pays it easily. This principle holds true in relation to almost all the supplies he may need for his family.

219. **Workpeople Affected by Free-trade.**—It is admitted by free-trade advocates that, "If our protective duties were removed, wages might decline in full proportion," but then it is added, "We should get certain articles all the cheaper." Protectionists, on the other hand, deem this statement partial and incomplete, since the removal of the duties just mentioned in making certain articles cheaper would be counterbalanced in the consequent diminution in the wages of the workpeople—the very class least able to bear the burden. They add further, that in the case of the American people adopting free-trade, as no duties would be collected from imported foreign property, the amount of revenue thus formerly produced could be obtained from other resources, and distributed by means of a direct tax levied for the purpose upon incomes, real estate, domestic manufactures, etc. In the latter two instances the workpeople would first be indirectly reached in the enhancement of their rent, and second in the diminution of their wages. Their employers would be compelled to resort to a distribution of the new burden thus imposed, and their most available resource would be in causing labor to share the extra expense of the new tax by reducing the wages of their employes. The diminution of wages would far exceed in amount

what they would save by the cheapness of the imported foreign-made articles. There is no alternative; if the expenses of both governments are to be borne by direct taxation, it is only fair that workpeople should bear, though indirectly, their proportion, since they are equally protected by the government in their rights and property. The latter is now exempted, for the most part, from direct taxation, because of the usual limitations afforded the poor man in respect to the amount of his property that is subject to be taxed.

220. Another feature of the case is that the tariff, in producing funds to defray the expenses of the National government, aids the workpeople by relieving them of the contingency, as we have seen, of being indirectly taxed for the same purpose by the diminution of their wages, and the increase in their rent. In addition, the tariff is a great boon to them as it opens the way for their employment in mechanical industries. In truth, upon the whole it appears, that in proportion to the interests involved, none are so much benefited by what is termed a protective tariff as the workpeople themselves.

221. **Fair Competition.**—Protectionists profess to desire a competition that would be fair, not merely among American manufacturers themselves, but likewise between the latter and the foreigners whom they have admitted as competitors. In this they are consistent with their theory of competition, which is designed to give employment to their own workpeople,

but at the same time admit competing foreign commodities to an extent that will produce sufficient revenue to support the National government. This policy is evidenced by their never having designedly framed a tariff so as to exclude foreign property, though they deem its presence in our markets of secondary importance to the promotion of the people's own industries. This theory and practice preclude monopolies on the part of either foreign or domestic manufacturers, since the way is open to both parties to engage in such industries.

222. **International Free-trade not Available.**—The ardent advocates of free-trade prophesy great blessings to the human family, if all their commercial and industrial interests were under the benign influence of that system, and that mutual good-will would thus be promoted among the nations. The protectionists, on the other hand, are not inclined to accept a theory, which implies that the inhabitants even of Christendom are prepared for the adoption of a system so universal. Their reasons are based on the industrial and social inequalities that are so numerous among the nations of Europe—these we need not enumerate. The advocates of protection wish to secure these predicted blessings for that portion of the race, whose conditions are such as to warrant a successful application of this phase of the free-trade theory. They look upon the United States with their population of 65,000,000, as the most available among the nations of Christendom, to be brought under the benign influence of a

mutual good-will among themselves, growing out of a unity of national interests; meanwhile, they propose to continue and greatly extend commercial intercourse with the outside world.

223. **The Adaptation for Home Free-trade.**—The Americans are peculiarly adapted for so grand an experiment. They have a territory nearly as large as all Europe, but owing to the zone it occupies it has a much greater amount of land that is available for agricultural and pasturable purposes. No people so numerous have in one compact and extensive territory such diversity of temperate climate and productions of the soil—from the northern portion with its cereals and orchard fruits to the southern with its semi-tropical fruits, its cotton, tobacco, and its sugar. Then again, the central portion of this compact territory is drained by navigable rivers, the Mississippi and its tributaries, running, in the main, from the north toward the south, all admirable for inland communication and the promotion of interior commerce, and in addition, easily supplemented by railways running in every required direction. To these advantages may be added the untold wealth of its diversified mineral resources.

224. **Elements of Harmony.**—The protectionists take into consideration the number of the population in the Union and its rapid increase from year to year; the unequalled progressive and practical character of the people; their industries and the vast natural resources they have at hand to utilize; their common schools,

moulding the children of all classes into one compact and patriotic nation, and all under a government that is known only by its blessings. In connection with these are combined other elements of harmony, such as political equality, liberty, civil and religious; the public schools, in which all the youth are taught the English language. To unite the American people still more in sympathy, a continual intercourse of multitudes is going on from one portion of the Union to another, for various reasons; some for business purposes, others for recreation or in search of health, while large numbers from different motives migrate from one section to take up their permanent abode in another. These are some of the reasons why protectionists labor to secure a home market and free-trade throughout this goodly land, whose inhabitants have an absorbing interest in one another. How different in Europe! with its dozen nations speaking as many languages, and rivalries that often degenerate into hate.

225. An American tariff should so graduate its rates, that it would be applicable to all sections of the country and calculated to create a diversity of industries, which are essential in making available the vast natural resources of the Union. Here is abundant scope for the exercise of different shades of talent and taste; while the numerous classes of occupations among the people are followed by corresponding interchanges of the products of such labors. There has never been, in the world's history, a field so extensive for the exer-

cise of that mutual good-will among people, which is prophesied by the advocate of free-trade, as in these United States; only here it is enjoyed by one nation, amid its own people, rather than outside with others. A nation of itself, homogeneous to a remarkable degree, and withal having facilities hitherto unequalled in moulding into harmony with the great mass of its people the foreign immigrants and their children.

226. **Free-Trade not Essentially International.**—It is not necessary for international commerce that either or both parties should exchange their products absolutely free from duty as property; other considerations often intervene. For instance, England imports wheat and other provisions from the United States free of duty because they are, to her, an essential raw material in sustaining the people employed in her factories; for the same reason, she imports raw cotton and silk free from duty. It is her recognized right to do so. She has an equal right to impose a duty upon these necessaries of life, though she thinks it better policy to admit them free, but she imposes a tariff upon some other commodities, such as tobacco and wine. The United States, in virtue of the same right, adopt the policy of importing, free of duty, tea and coffee and spices, etc., and from Japan and China, unwrought or raw silk for their silk factories and for a similar purpose gutta percha and India rubber. They are consistent, however, when they impose a duty on manufactured silk, since as property in that form, it

partakes of a different character, its value being greatly enhanced by the labor that is put upon it, and in this form it becomes an unfair competition with our own workers in silk, since, owing to the low wages paid in Europe, its cost in manufacturing is only about one-third as much as the American manufactured silk of the same grade.

227. **A Tariff to Sustain Wages.**—During the first half century or more of our existence as a Nation, Congress levied duties on foreign manufactured articles brought in for sale, for the purpose of obtaining revenue, and also to give our own people an opportunity to acquire by practice the art of manufacturing for themselves. This policy was spoken of as designed to aid our "Infant industries." Free-trade twits the advocates of protection concerning the continued infancy of American industries, as if the latter imposed the tariff of to-day for that special purpose. That phase of the subject within a quarter of a century has shifted to a different basis, that of sustaining the wages of the workpeople. This is deemed of primary, while obtaining revenue is recognized as of secondary importance. This policy, protectionists maintain, is consistent with the American idea, that "The people constitute the State," and that National legislation should be just and guard the rights of capitalists—the minority—by levying a duty on foreign-made articles so as to encourage home manufactures, and also sustain intact the wages of the workpeople, the great majority.

228. Patriotism demands that the comforts and the rights of the great class of our wage-earners should be secured as far as possible by judicious legislation, and that such policy be recognized of primary importance. The workpeople of the United States, those who are native-born and have enjoyed the advantages of the public schools, when compared with the similar class in the Old World, are found to stand on a higher plane in respect to their education and general intelligence, and to the amount of wages they receive and the material comforts they enjoy.

229. **Intelligence in Manufacturing.**—The remarkable success that has attended American manufacturing of every kind from the first, may be attributed in a great measure to the general intelligence of those employed. This historical fact is recognized by the advocates of protection, in relation to all the mechanical industries of the country, and they desire to continue the same policy. They propose to accomplish that end by means of a judicious tariff, one that shall in effect sustain the wages of the employes and encourage them to become experts in their work, and at the same time produce the requisite revenue. The protective system goes still further, and virtually proposes that, by means of living wages, the industrious, economical and temperate among the wage-earners, shall be able to enjoy the comforts of life, while their self-respect will induce them to seek mental and moral improvement. In this connection it may be noted that this phase of American statesmanship has

attracted attention abroad. The *London Times* (July 12, 1880, p. 13,) when speaking of Congress protecting American industries for the previous eighteen years, says: "The object of their statesmen is not to secure the largest amount of wealth [revenue] for the country generally, but to keep up by whatever means the standard of comfort among the laboring classes." On the other hand, free-trade virtually ignores the historical fact just mentioned, that for the last quarter of a century this has been one important phase of the policy of the American protective system.

230. The friends of protection urge an additional reason why this elevation of character and of education among our wage-earners should be promoted. It is, that the American employes are on a political equality with one another and also with their employers. They recognize, likewise, that it is important that the workpeople should be so educated in the principles of government and political questions which may arise, that being citizens they should be competent to vote intelligently, since so often their special interests become the subject of legislation.

231. **Assertions and Facts.**—Free-traders admit that the nominal wages of operatives in Europe are lower than those paid in the United States by about fifty to sixty per cent., but assert that these lower wages secure for them the necessaries and comforts of life as much as the higher wages do in the United States, for similar classes of wage-earners. Protectionists say, that

this assertion is made in the face of statistics, European and American, which show that in the main the mode of living and comforts in the homes of the workpeople of Europe, especially of England, and those of the United States are in marked contrast—the great advantage being on the side of the Americans. They also ask the pertinent question, How is it, that the wheat and flour of our Northwest, or the beef from our Western plains should be cheaper for the English operatives, with the extra expense of land and ocean transportation, than for the American workpeople living on the soil, where these provisions are produced in such abundance? In respect to one item, the answer comes from England, that her operatives seldom use meat-food because of the expense. Statements as to the better living of American employes are made constantly, and intelligent persons, who have properly investigated the subject, recognize their general truth.

Free-trade asserts that, "The tariff law rests on no ground of absolute right." As the word "tariff" is used to designate a certain form of tax, protectionists inquire, Is taxation on domestic property also wrong? or, does the principle apply only to competing foreign property brought into the United States for sale? Every civilized nation—right or wrong—taxes not only domestic but foreign property, under certain conditions, thus recognizing the principle, that all property should bear its share of the expenses of government, which is presumed to protect the civil rights of the people as well as their property.

232. **Wages Seek Their Level.**—The rapid and frequent intercourse of to-day between the nations of Christendom facilitates the exchanges of products one for another. The influence of this is seen in the approach to equalizing the chief item of expense in producing manufactured goods—that is, the wages. In seeking their level in different countries, wages follow a law as inflexible as that of gravitation. This process will continue because rival manufacturers in the Old World are tempted to press the wages of their employes down to the lowest point, which they are enable to do, in consequence of the overcrowded populations amid which they carry on their business. Under these circumstances, say the protectionists, the only salvation for the American workpeople is in Congress imposing a tariff to equalize as near as possible the difference in the wages paid respectively in Europe and in the United States. On this principle the Americans, without reference to what is paid abroad, pay living wages to their own employes, while the Government, as a general rule, taxes for its own support the foreign-made competing article, but in no instance to the full amount of the difference in the respective wages paid. Free-trade assumes this policy to be in the way of promoting good-will among the nations and hard on the foreign manufacturer and his operatives. Protection retorts that we act in self-defence, to prevent our own workpeople being handed over to the tender mercies of foreign manufacturers, who, for the most part, secure for themselves alone the main benefit of the low wages they pay.

233. **Cheap Commodities not the Only Good Desirable.**—Free-trade appears to assume that the greatest gain to the American people would be in having cheap commodities, but protection argues that it is better to give employment at living wages and let the cheapness take care of itself, since competition at home, as it always has done, soon brings the price of the manufactured articles down in proportion to the cost of their production. This mode is fair to the manufacturers, and, in respect to their wages, to those whom they employ, while the consumer standing on the same level, pays a fair price. The American manufacturers and merchants and workpeople are all consumers, and virtually exchange their products, the results of many diversified labors, with one another, and though these various commodities may be nominally high-priced, yet they are cheap, because each one pays easily—that is, his own labor furnishes his means of purchasing.

234. **Our Home Free-trade Aided by the Tariff.**—The advocates of free-trade deride the apprehension of protectionists, that if that system prevailed between the United States and Europe, it would ruin or greatly injure our own manufacturers. In proof they adduce the opinion, that if such ruin would be the result, the new States of the Union in which perfect free-trade prevails, would be unable to manufacture to advantage, if at all, by the competition of the older ones, for instance, New England. Yet it is found, in practice, that the new States of the West, when they have a popula-

tion sufficient to furnish employes to do the work, enter upon whatever form of manufacturing for which they have facilities, and are successful in the enterprise. The implied inference is adduced that free-trade between the nations of the world would produce similar results. These advocates ignore the very important fact, that the tariff on similar foreign manufactures is as effective in Wisconsin as in Massachusetts, and that the competition is between the American manufacturers themselves and not between them and the Europeans, with the latters' advantages of low wages.

235. **Historical Illustrations.**—The pupil would do well to remember that when the Americans one hundred years ago began to manufacture for themselves they were comparatively ignorant of the process of making many of the ordinary domestic articles which they needed. They first learned, and that but partially, to work in the more common mechanical industries, and afterward acquired experience in conducting manufacturing establishments. To do this took nearly half a century. But how marked the contrast to-day! The skill and experience thus acquired have been made available for the benefit of the whole American people. The protectionists in proof adduce the fact that the woolen and the cotton factories and numerous others, such as iron-works, factories for making agricultural implements, and even those that produce articles of a finer grade such as watches, or paper, when established in the Western States, started fully equipped. They

had all the facilities; perfected machinery; competent managers from the East, and employes on the spot more or less intelligent, and these were often instructed to become skillful by those who migrated thither from the mills in the older States in order to find better employment in the newer. Even, if for awhile experience has to be acquired, the cheapness in living near wheat- and corn-fields and pasture-lands counterbalances the advantages attributed to the older manufacturing establishments in the East. The same is true of recent cotton and iron manufacturing in the Southern States. Their mills start into being equipped with the best machinery in use, while their operatives soon acquire sufficient knowledge to handle the machines.

236. **A Just Comparison Adduced.**—It is not strictly fair to compare the influence of free-trade with the outside world, with that which obtains within the United States—the cases are not parallel. The latter is guarded by a cordon of protective duties levied all along the boundary lines of the Union, as a defense against the low cost of production of competing articles in the outside world. In addition, these duties are not subject to changes, unless necessity demands, and that process is sufficiently slow to give warning in public discussions, so that the manufacturers and the people become prepared to meet them. This is far different from being subjected to the sudden whims and power of foreign manufacturers, under a free-trade system with other nations. On the contrary, the competitive rivalries are within our own family, from which the

neighbors are properly excluded, or let in, under conditions that will not injure the welfare of the separate members of the household.

237. **Reciprocity.**—Political Economy takes cognizance of the trade that is carried on between nations. The latter sometimes make special arrangements with each other in respect to the duties that may or may not be levied upon certain commodities, which they exchange in the way of trade. Such arrangement is known as reciprocity, which is defined as "a treaty concluded between two countries, conferring equal privileges as regards customs or charges on imports, and in other respects." The position of the United States among the nations is unique, inasmuch as from the great extent of their territory, and, in consequence, climatic differences, the productions of their fertile soil are most prolific, as well as of great variety; while at the same time they are, also, very extensively engaged in mechanical industries, and that sufficiently to supply, for the most part, the wants of their own people. Under these conditions, reciprocity in trade is peculiarly available for the United States, especially with those nations which have small manufacturing interests, but on the contrary, large agricultural industry, suited to a tropical climate.

238.—The United States, in addition to the products of their mechanical industries, produce also a vast surplus of the necessaries of life, in the form of the different kinds of grain and other food provisions.

It is clear, that reciprocity with the nations mentioned above, cannot interfere with, nor of necessity modify a tariff that is imposed upon articles, the products of the mechanical industries of European nations, and which articles are brought into the markets of the Union for sale in competition with our own manufactures of a similar class. The two modes of adjustment are distinct and independent of one another. According to this statement, reciprocity, when applied to the United States, has special relation to those countries whose productions are agricultural, and due to climatic influences, such as coffee, tea, chocolate, sugar, etc., all of which aid in promoting the domestic comfort of the American people. In addition, there is another class admitted free of duty, that may be termed raw material, and which is essential for our manufacturing purposes, such as India rubber, gutta percha, in their native state, and raw or unmanufactured silk. We may illustrate the policy of reciprocity by an example: Let it be understood, that we impose no duty on coffee and India rubber, and Brazil, acting reciprocity, admits on the same terms, or nearly so, the flour and the provisions, which we send to pay for the coffee and the rubber.

Bounties.—Congress, for the benefit of the great mass of the American people, repealed in 1890 the duty on sugar—that article being so essential to the comfort of every household in the Union. In connection with the measure of reciprocity contained in the same bill, was a clause authorizing a bounty of two cents for every pound of sugar produced by home industry. In proportion to the vast amount of foreign sugar we use, when compared with that of the home-made, the former is virtually a commodity on which the foreign producer places his own price, and therefore, the duty imposed upon it is paid by the consumer—the American people—in accordance with the principles already noted, (See pp. 133–34.) The price of sugar in the Union has in consequence been lowered in proportion to the amount of the duty once imposed, an annual saving of about $50,000,000 to the families who use sugar.

The Act of Justice.—It was proper and just for the government to give such a bounty, since those who were engaged in the business of manufacturing sugar from cane, sorghum, and beets had in that industry a large amount of capital invested, and also employed a great number of laborers. These three sources of sugar being susceptible of almost an indefinite increase of quantity, suggested the propriety of aiding that industry by means of bounties. The policy thus entered upon is designed to be far-reaching in its influence, since the American people may, in time, so improve the methods of obtaining sugar from these, their own sources, as to be able, finally, to supply themselves. Some countries of Europe—notably France and Germany—have thus, from feeble beginnings, supplied themselves almost entirely from the sugar-beet alone. We have the advantage of a climate wherein sorghum can be easily raised, and likewise the sugar-beet, and in addition, we possess a large semi-tropical territory, in which, by exercising proper care, the sugar-cane can be successfully cultivated.

XXVII.

FOR REVENUE ONLY.

239–247. As the name implies, this scheme of a tariff makes it of primary importance to obtain revenue, and, in consequence, other considerations connected therewith are deemed only secondary. A tariff, however low or high in its rate, is to that extent a protection to those of our industries with which the foreign articles compete, but in accordance with this scheme or mode, its protective qualities are held subordinate to the announced design of obtaining revenue only. Recognizing the former principle as being of secondary importance, the advocates "for revenue only" have usually expressed their meaning by the phrase incidental protection, as applied to our own industries. This scheme places the National government in the position of a mere collector of revenue, while it seems to have little regard to the effect produced upon that class of American manufactures, which compete with similar foreign-made articles, brought into the market of the Union for sale, and which are produced abroad at much less cost. Under such conditions the American manufacturer is compelled to withdraw from the contest or run his mills at a loss, since his employes are unwilling, as they always are and have a right to be, to have their wages diminished sufficiently to meet in our own market on equal terms the product of the low wages paid in Europe. No tariff "for revenue only," in respect to the cost of production of similar articles has hitherto equalled the difference in such cost in Europe and in the United States; if it did so, it would then be properly protective—an element which its advocates repudiate. The "for revenue only" system virtually donates that difference, whatever it may be, to the foreign manufacturer, who having paid the required low duty enters his merchandise in our market at a correspondingly low rate—so low as to interfere with the fair wages of our own workpeople.

240. **To Whom the Greater Benefit Accrues.**—The history of American mechanical industries shows clearly the difficulty of adjusting the tariff "for revenue only," in such manner as to secure the desired revenue and at the same time not lower the wages of our own workpeople, if they have employment at all.

It is found that in every instance a tariff whose rate did not equal or nearly so the difference in the wages paid in the United States, and those paid in Europe, brought injury upon our mechanical industries. In such case, those who work for wages, rather than the employers, are the greater sufferers, as it is estimated by practical men who have had experience in such matters, that for every hundred cents expended in American manufacturing, from eighty-five to ninety go to the wages of the workpeople.

241. **The Comparative Value of Raw Material.**—When treating of manufacturing, the pupil will notice two special items of expense—the raw material and the labor expended. For illustration: a piece of parlor furniture may cost the consumer or purchaser one hundred and fifty dollars, though the entire raw material of which it is made costs only ten or fifteen. In estimating the latter cost, we take the material as it is prepared for the hands of the cabinet-maker, for if we went back to the original, we would find the ore in the mine and the wood in the forest, and both useless until the labor of man imparted value to them. The same general principle holds true in all forms of manufacturing. Its truth is verified when a famous ship-builder * declares that from eighty-five to ninety per cent. of the cost of an iron steamship is in the wages paid the workmen. The raw material from which is made a piano, worth a thousand dollars, does not cost more than about forty. The fine wool from which is made a gentleman's suit selling for a hundred dollars cost only three or four. It follows from these illustrations that it is very misleading to represent the cost of the raw material as an influential element in enhancing the price of the final product.

A bale of Sea-island cotton is sent from Charleston, S. C. to Switzerland, France or England and is there manufactured into delicate muslins or fine thread and sent back to the United States for sale; meanwhile, by this process, the original cotton has increased in value

* The late John Roach of Philadelphia.

ten to twenty-fold. It is well-known that the nation which exports its raw material becomes impoverished, while the one that imports the same and manufactures it becomes rich. The correct method is in the judicious blending of the two systems—that is, manufacture the portion of the raw material which is needed for home consumption and export the remainder for sale abroad. The American manufacturer of cotton thread at Willimantic, Connecticut, or Newark, New Jersey, gets his raw material, Sea-island cotton, free of duty, yet because of the low wages paid at Paisley, Scotland, he cannot compete on an equality with the Scotchman.

242. **The Summary.**—The advocates of free-trade claim for their system a trade throughout the world, unvexed by tariffs or custom-house officers. They propose, by this free interchange among the nations, to bring about a state of kind feeling and mutual good-will between all civilized peoples; "to create a common interest, out of which grow the bonds of abiding friendship." Division of labor is, also, to be extended and adjusted so that every nation shall produce that which it can to the best advantage, and exchange it for what it desires of the productions of its neighbors. The theory ignores the innumerable difficulties in the way of so desirable results, that arise from different tastes and acquirements of the many peoples of the world, in respect to their grade of civilization and refinement, and mechanical skill, while in relation to the United States, it overlooks the direct tax that must

be raised to support the National government. On the contrary, if we adopt the system of free-trade, and consequently dispense with the revenue annually derived from the tariff on a portion of the $900,000,000 worth of foreign property brought into the Union for sale, the deficiency must be made up from other sources.

243. **A Primary Object.**—The advocates of a tariff for revenue only intend as its primary object the obtaining revenue, and for that purpose they would mainly adjust the duties imposed. Other considerations in respect to the encouragement of our own competing industries are held subordinate, and the estimate of their relative importance is plainly indicated by what is vaguely promised them, by the phrase incidental protection. Protectionists object to a tariff adapted to such purpose alone, as it must necessarily leave so small a margin between the difference of the cost of competing articles made in the United States, and those in Europe, inasmuch as it becomes easy for foreign manufacturers, or their agents, to place goods in our market at a rate so low as to crush our competing mechanical industries, then afterward remunerate themselves by raising the prices. Foreign manufacturers have adopted this plan two or three times. When our tariff is high, it is much more difficult to succeed in such operations, since it would cost too much to first pay the required duty and then enter the goods at a rate so low as to break down our competing manufacturers. History records instances in

the experience of American industries, which have been thus crippled, or, for the time, ruined entirely. The protectionists urge that Congress ought to heed the warnings, as well as recognize the encouragements, found in our history. They cite the influence of free-trade, which in six years (1783–1789) "swept from the Nation, every silver dollar and piece of gold," and also the effect of the "for revenue only" theory put in practice in 1833, when a horizontal tariff of twenty per cent. on all foreign merchandise was nearly reached. This rate was without any reference to the relation which the numerous foreign articles thus taxed bore to similar domestic ones that competed with them in our own market. The result was that the Treasury of the United States became richer and richer, and the people poorer and poorer; finally the former had $40,000,000 surplus, and the latter were bankrupt. These results were produced, not because the tariff was high, but because it was low. Then followed, under the circumstances, the most tremendous financial crash in our history—that of 1837.

244. **A Secondary Object**—On the other hand, the advocates of protection claim that to secure revenue is secondary in importance to affording employment to our own workpeople, and the profitable investment of our capital. They contend that both these ends have been attained under the protective system, when it has been carried out and not interfered with by adverse legislation. They claim that the tariff ought to be so adjusted that no manufactured foreign property could

be admitted to our market that did not have imposed upon it a duty sufficiently high to equalize the cost of production of similar domestic articles, in order that they both should meet as competitors in our own market on equal terms; and that on this ground no foreign article would be excluded, but welcomed, because of the revenue it would afford. They argue that because the foreign manufacturer, owing to the lower wages he pays, can put his goods in the other markets of the world at a certain per cent. cheaper than the American is no reason why he should do the same in the markets of the United States.

The protectionists are in favor of a high tariff on luxuries of any kind whatever that are brought in for sale. If the wealthy wish to gratify their taste in that line, they can have the opportunity to pay the corresponding high duties, and thus aid in supporting the National government. Under the shadow of this high tariff our own workpeople, if they have not yet become sufficiently skillful to produce the most expensive kinds, can make similar articles of a lower grade, as in certain classes of cloths and silks. Finally, the protectionist theory is claimed by its advocates to be pre-eminently the friend of the great body of the people—those who work for wages—inasmuch as it purposes to legislate so as to afford them opportunities of obtaining a self-respecting and comfortable support.

245. **Two Modes of Regulating the Revenue.**—The mode proposed by the advocates of a low tariff, in order

if necessary, to diminish the revenue derived from import duties, is radically different from that proposed by the protectionists—the former would lower the rate of the tariff, the latter would raise it. Our financial history shows that the effect of the former mode has always been to increase the revenue, because under its influence the productions of home industries, that were specially affected by a low tariff, speedily fell off altogether, since the workmen thus engaged were unwilling to accept the wages lowered to the standard of those paid abroad. Such reduction was the only way in which the American manufacturers of the same class of goods could compete with the foreign make. In consequence the latter were able to obtain the control of our own market and send in an immense amount of merchandise, and yet the rate of duty was so low that the revenue became very large because of the vast quantities imported. This result has occurred in our financial history whenever the rate of the tariff has been so reduced as to demand a corresponding reduction in the wages of the American employes.

246. On the contrary, an important object is attained when the tariff is high, yet sufficiently low to permit foreign merchandise, especially of the higher grades, to enter our market, and thereby furnish the amount of revenue required. In addition, our own workpeople, who, meanwhile, are engaged in manufacturing a similar class of goods—but of a lower grade of finish—are fully employed and at remunerative wages, while for the most part they supply our own

wants. This mode of the protectionists claims several objects, such as: the revenue is graduated to what is desired; our own workpeople have employment at living wages, while our mechanical industries are promoted, and soon competition renders their productions so reasonable in price as to be fair to the American consumer.

247. **Trusts.**—When dealers are in free and open competition with one another, they sometimes have a tacit understanding as to the prices at which they sell, but it occasionally occurs that some of the trade play false by "cutting prices," in order to secure a greater share of the business. This is not honorable, nor in the main profitable, since, frequently, in this manner prices are forced down below what is just to the producer and the dealer. This evil sometimes induces a portion of the dissatisfied dealers to combine in what is termed a "Trust." The effect of this is to break up the free and open competition between the many, and to concentrate the trade in the hands of the few. The managers of a "Trust," can scarcely resist the temptation, when they have secured the control of the market, to raise prices to the detriment of the consumers. The result is usually a monopoly which the American people, in their desire for fair play, always condemn, and even go so far as by their patronage to assist outside competition in bringing such monopoly to terms. The consumers are aided in this their effort, by the well-known effect, that when prices are unreasonably raised the sales fall off in proportion and the scheme of the

Trust no longer prospers. No doubt a Trust having a large plant and engaged in manufacturing, for instance, has facilities for producing articles at a lower rate of cost than those who have no such enlarged means, because the former can utilize to much better advantage the service of its employes. By this means and other devices Trusts can drive out the small manufacturers or the dealers.

Under certain conditions a Trust or Company may virtually become a monopoly, as when the commodity furnished is a natural product and the Company has obtained possession of the territory that produces it.

Laws have been enacted in some States to prevent the possible evils of an absolute monopoly of "Trusts," doing injury to the community at large, whose numerous rights are worthy of being guarded.

XXVIII.

SOCIALISM.

248–252. Within recent years a system of socialism has appeared in the United States. This subject may not strictly belong to abstract political economy, yet it is an economical question suitable at this time for American young people to discuss. Socialism is defined as "the doctrine of a community of property, or the denial of individual rights in property," and also as "a system that appeals to the State rather than individual action," that is, for "state help as opposed to self-help."

The system is foreign, originated in Europe, and its germs have been transplanted to the United States. Here such economical ideas have never been prevalent in the minds of the native-born, though there has been a very limited number of mild enthusiasts, who in a few instances have endeavored to introduce similar associations, but they failed and the members quietly crept back to their normal condition as citizens. It is impossible for the system to take root to much extent in the United States. The intelligence of the people forbids it, as they are free to put in practice their respective abilities, be they what they may, and, as citizens on a political equality with one another, they have an untrammeled right to honestly improve their condition. The government by protecting each one in his individual rights, fosters self-respect and self-reliance, and independence of character. This is remarkably in contrast with the so-called paternal governments of Continental Europe. There the working classes, owing to the tacit subservience to custom, are inclined to look to the government for direction in their industrial affairs, while, in the United States, the native-born intelligently and self-reliantly engage in industrial pursuits that are congenial, and look to themselves for success.

249. **The Caste Influence.**—It may be said, that in the United States there is no class distinction in the acquisition of wealth and the position which its mere possession brings, as the way is open to all. But in Europe there exists a framework of society—a crushing caste influence—shelving down from the throne, through grades of nobles and of "higher and middle classes" to the lowest order. To rise above the rank in which they happen to be born is a fortune attained by very few indeed. The tendency of such influence is to depress the energy and spirit of the people—especially, the younger portion—to such an extent, that they are cramped in their efforts to make the progress which their higher aspirations demand.

250. **Aims of Socialism.**—The forms of socialism that have in them a religious element have been more permanent than those, which, in the ordinary sense,

have been devoid of such sentiment. The aim of socialistic communities has been uniformly to impair the marriage and family relation, and to place themselves in opposition to a civilization based on the Christian idea of the family, as constituted by the parents and children. When the Christian element in the family organization is eliminated, socialism degenerates into universal scepticism and has a tendency to end in anarchy.

The cases are very few wherein socialism has been established and also successful; in truth such associations always in due time turn out failures, dwindle away and finally disappear, while those in existence to-day have in them the seeds of disintegration and death, since they appeal to the selfishness of human nature rather than to its generous impulses.

251. In theory, socialism professes to aim at elevating man, and the object is a worthy one; but unfortunately the means employed are antagonistic to human nature and the order of society, which order is the outgrowth of the experience and labors of more good men than bad, during the centuries while under the benign influence of Christianity, whose fundamental law is the Golden Rule. The result is that each generation is an improvement upon the preceding. The process has been slow but sure in its advancement. Socialism, on the other hand, purposes to elevate man by changing radically the present order of things; it would diminish the responsibility of the individual and merge it in the community at large; would ignore the characteristics

of persons, putting on the same level the energetic and industrious with the sluggish and the idle; would enforce equality in conditions, thus neutralizing the efforts of the individual to develop his native talent, whatever that may be. An insuperable barrier intervenes, inasmuch as, neither socialism nor any theory can obliterate the truth, that no two individuals are precisely alike in their mental, moral and physical characteristics. In addition, each one in advancing toward perfection in his own sphere, must move in the line that the Creator has marked out, and not be governed by arbitrary rules, which are often subversive of the established laws of the nature of men. According to socialism the State should own the land and the capital and direct the labor, thus stifling the individuality of the members of the community; placing all upon a level, without reference to each one's capacity. Such a system must degenerate into an intolerable tyranny, retarding progress in every respect under the plea of equality, against which justice and commonsense revolt. But the worst form is its bad moral influence in breaking up the family relation with its safeguards, and the genuine and peculiar affection found only within the precincts of the household. From another point of view the system would neutralize all exertions to attain wealth, as private ownership of property would be unknown.

252. **State Aid Limited.**—The State cannot and ought not aid the citizens in ordinary circumstances, wherein they can help themselves. Its proper sphere

is to protect the individual in his rights and thus afford him an opportunity to develop what may be good and worthy of cherishing in his own personal capacity. Socialism appeals to the State, yet the latter cannot suspend the law long since enacted, that man must eat bread by the sweat of his face! There must be production and it must be the result of labor; the field will not produce wheat unless it is properly cultivated, nor will the yard of cloth be woven without skill and exertion. The civilized world has had experience in the ages past in permitting each individual, so long as he did not interfere with the rights of others, to do the best he could for himself, seek wealth and comfort in his own way, exercising his judgment in the application of his labor, be it of muscle or of brain. The American people by means of their institutions supply the conditions by which all can aid themselves by industrious, economical and temperate habits, to acquire sufficient to live upon comfortably and lay by also for future wants. If misfortune overtakes them, they are then proper objects for the benevolence of their fellow-citizens to put them in the way of again earning a livelihood.

253. **The Results of Socialism.**—In conclusion, the system of socialism has a demoralizing mental and moral effect upon its adherents. The rank and file become indifferent and idle, since they have no motive for active work. They cannot have the same interest in the progress of an association, as in their own individual affairs. This is natural and in accordance

with self-interest, a governing principle in human conduct, especially in relation to the labor of production. This is the secret of the failure of all such associations to develop the full manhood of man or womanhood of woman. The members acquire no self-reliance and little self-respect, but spend their time lamenting what they call their hard lot.

XXIX.

RAILROAD CORPORATIONS.

254–259. In the distribution of the products of labor the means of transportation deserves notice in a Political Economy. Their increase keeps pace with the increase of the products themselves, and the demand for the latter to satisfy the wants of the people. The railways of the United States come within this view, they being essential in promoting the progress of our industries, since they afford facilities for the distribution of their varied products to all the people of the Union. This important function of extending roads or common highways for the public benefit, has always been exercised by the government in civilized communities. To accomplish this it is necessary for the good of the whole that the government should have in itself what is termed in law "eminent domain," by which private property can be taken for the public good, but as far as possible at a just valuation.

255. To construct and operate railways requires a great number of persons and a large amount of capital, and both of these must be combined to perfect the design. Corporations are formed for the purpose to whom the State gives charters under certain condi-

tions, and in accordance with the latter the roads are constructed and operated. It is the duty of the State to guard the interests of the people and also the rights of the corporations, and if the latter do not comply with the conditions imposed and accepted, the former can take away their charter.

256. **How Organized.**—The capital of the corporation is divided into shares of an amount agreed upon; for these shares persons subscribe. All the capital may be paid in at once or by instalments as it may be needed in the construction or in providing equipments for the road. The building of the road being a public benefit, the people in consequence become interested and subscribe accordingly. The corporation is composed of all the stockholders. The latter proceed to organize by electing a Board of Directors, to whom is intrusted the management of the affairs of the company, and who hold office usually for one year, but may be re-elected at the will of the stockholders. The votes cast at such meetings are in proportion to the shares held by the stockholder voting, or sometimes, as a matter of convenience, the absent can vote by proxies.

257. **Public and Private Interests.**—The combination of private enterprise with the protecting care of the government, accomplishes the end more perfectly than if each acted separately. The energies of the corporators are fully exercised and they themselves are encouraged by the hope of reward, since their rights are secured under the charter of corporation. The lat-

ter is authorized to receive, to hold and to convey property; it can enter into contracts; can borrow money or incur debt, can be sued in the courts and can itself sue. They have in that respect all the rights of a citizen; though, in addition, the corporation is authorized to take property needed for carrying out its legitimate designs, under the plea that it is for the public good; yet it is also bound under appropriate rules to remunerate at a fair value the owners of the property thus taken.

258. **The Agent of the State.**—The corporation of a railroad is an agent of the State to establish a highway for the use of the public in promoting intercourse and commerce between the different portions of the land. In doing so it performs a public service. The corporation is held responsible to the State for the performance of its duties as a public carrier. The stockholders are entitled to a just compensation for their capital thus invested; the shares they own are private property, and they have a right to whatever profits that accrue from them; the profits come in the form of fares for passengers and freightage for carrying property, the public enjoying such conveyance and paying for the service. In an extensive territory like the United States, experiment has shown that the most efficient mode of transportation within their boundaries is by means of organizations or corporations of private individuals. The State authorities impose reasonable conditions, so as to guard the interests of both parties concerned—the public and the incorporators.

259. **The Advantages of Railways.**—The benefits that accrue to the American people from railways are almost innumerable; they are intimately connected with nearly every form of their industries, since they greatly promote exchanges of the products of one section of the country for those of another, and thus make available for all, the separate and peculiar advantages which the different sections of the country possess. Provisions from the West and manufactures from the East pass and repass on these roads, while a similar process is going on North and South, much to the advantages of all parties. They aid both capital and labor and equalize prices, while reducing the expenses of living by making these exchanges cheap and prompt. By this means our home market is a vast benefit to all the people whose surplus of different products is brought by the same roads to the seaboard for transportation to foreign lands to be exchanged for what we cannot produce ourselves. Their stimulating influence pervades the whole land; reaches the remote farms of the West and the fruit-gardens and plantations of the South; the mines of metals within the mountains and the manufacturing interests everywhere. They encourage settlements—where there is room along their lines—and promote the general prosperity of the people of every section. With Americans this is a great National benefit, as they aid in uniting the people of the various sections in bonds of sympathy which will increase from year to year, because of this personal and commercial intercourse.

XXX.

THE NATIONAL DEBT.

260–267. The United States have been complimented by European statesmen as a "debt-paying nation." Our first debt was incurred during the Revolutionary War, in which the patriots borrowed money from France and Holland. Immediately after we became a Nation, in Washington's Administration, the government took measures to pay off the foreign debt and also, in connection with it, the domestic debts of the States, that were incurred by the same war and which the National government now assumed.

The Nation's Debts at Different Periods.—This first National debt in round numbers amounted to $76,000,000; that was about nineteen dollars for each person in the Nation. Owing to the exhausted condition of the country, this was by far the most burdensome debt the American people ever incurred, yet it was gradually being paid off when the war of 1812 occurred, which added to it materially. After its close the government commenced paying that also, and in 1835 the Nation freed itself of debt. Afterward (1846) came the Mexican War and its debt, which had diminished to $87,000,000 when the Civil War commenced. The National debt at its close reached the enormous sum of $2,807,000,000 which, according to the census of 1860, was $126 for each white man, woman and child in the Nation. That debt on November 30, 1891, after deducting the cash in the Treasury, was $733,333,398.08. Of this $316,681,016.00 does not pay interest. This debt is now about eleven dollars per capita.

261. **Modes of Obtaining Funds.**—Since it will probably be many years before we are again free from debt and the subject will, no doubt, recur often in the course of National legislation, it would be well for the student to understand the mode in which the funds were obtained to defray the expenses thus suddenly thrust upon the Nation.

262. **The Dilemma.**—In the Revolution, our fathers did the best they could, though they were compelled to go outside their own borders to obtain loans; but in the last instance—the Civil War—the American people depended upon their own resources. When the war broke out, the government was in a dilemma how to obtain revenue; its officials, not having the power to know the end from the beginning, moved very cautiously and, time has shown, judiciously. No one thought the war would last so long; indeed sanguine statesmen prophesied that the difficulty would be arranged within a few months. The officials of the government had to feel their way prudently. If Congress had imposed a direct tax to meet the rap-

idly accruing expenses, it would have risked rousing into open action the enmity of the secret friends of the Rebellion in the loyal States, and so it was deemed more prudent and expedient to raise funds by some system of borrowing from the people themselves, thus appealing to those who were loyal to the Union to loan the government money by purchasing its bonds.

263. **Summary of Funds Appropriated.**—Congress at different times, as necessity required, authorized the secretary of the treasury—the first time in July, 1861—to borrow 250 million dollars; then in February, 1862, 500; in March, 1863, 600; in June, 1864, 400; and in March, 1865, 600; in all 2,350 millions. Sometimes the secretary was unable to borrow the full amount for which he was authorized to ask. Thus the government obtained loans from time to time as the war was protracted. There were many difficulties in the way that we need not here enumerate, but the pupil is earnestly advised to study the financial features of that period of our history.

264. **Different Classes of Bonds.**—The general mode of borrowing was simple. The government issued bonds calling for so much money at a specified rate of interest, and to run for a certain number of years, but had the right to call them in and pay them off during a definite term previous to the extreme limit. The specified rate of interest was guaranteed by the coupons attached to the bond. On the coupon was noted the amount of interest for each payment—semi-annually

or quarterly, as the case might be. The owner has merely to cut off the coupon and present it at the United States Treasury and the interest it calls for is paid.

When the name of the owner of a bond and its number are recorded in the books of the United States Treasury, it is said to be registered. If such bond itself should happen to be destroyed or lost, the owner, on authenticating that fact, can obtain from the treasury its amount, principal and interest. But, if a bond is not registered, the owner would lose it, should it be destroyed.

265. When these bonds were issued, some were so named as to designate the time they could run. For illustration, a "five-twenty," was one that the government could call in in five years, but was not obliged to pay before twenty; a "ten-forty," was redeemable within ten years, but was due in forty. Another class of promises to pay or notes was known as the "seven-thirties," from the rate of interest they paid, 7.30 per cent, that rate being two cents a day for each hundred dollars. These were payable with the accrued interest in three years. They have all been called in.

Certain other notes, or promises to pay, are popularly called "greenbacks," from the peculiar color of their backs, though in the enactments authorizing them they were designated "United States Notes." These were declared to be "lawful money and a legal tender in the payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt," which latter were required to be paid in coin. The government demanded coin in payment of import duties, and thus it was able to pay the interest on its own bonds in coin. Greenbacks soon passed into general use, and so continue. On these the government pays no interest. Their aggregate amount in circulation in 1892 is about three hundred and seventeen million dollars.

266. Toward the close of the war it was found expedient to issue bonds at a comparatively low rate (four and a-half and four per cent.), but in order to promote their sale they were to run for a number of years. This feature materially enhanced their value and they became popular—those at the first rate mentioned were due in 1891, and those at the second in 1907. These two classes of bonds commanded a premium.

The seven-thirties, as has been noted, have all been paid off, and so have the three per cents. The government has never paid interest on the "greenbacks," and since the resumption of specie payments, (Jan. 1, 1879), they have been redeemable in coin. They continue to circulate and are popular.

In consequence of the suspension of specie payments, another issue, known as "fractional notes," was made, and were thus named because they were designed to supply the place of the fractional subsidiary coins, and were in face value only parts of a dollar, being issued in denominations of five, ten, twenty-five and fifty cents. They served as a convenience to the public until they were superseded by the subsidiary silver coins, which again came into circulation.

267. **Funding.**—The process by which different classes of debts are consolidated into one, or by which bonds bearing one rate of interest are so modified that the rate is changed and perhaps the time of payment extended to a future date—is known as funding. For illustration : the various debts incurred in the Revolution by the Continental Congress and the separate States were funded into one class during Washington's administration, and the whole debt was assumed by the National government. Since 1881 the United States' debts in the form of bonds have been thus funded, as when the "five-twenties" and the "ten-forties" were called in, and the secretary of the treasury proposed to pay their face value, or, if the holders preferred, to issue to them instead bonds of equal value, though bearing a lower rate of interest, but running for a longer time. By this measure holders of such bonds were fairly dealt with, and the government threw forward the payment of its debt, which now bore a lower rate of interest. By this system of funding an immense amount of money in the item of interest has been saved to the American people.

XXXI.

THE LABOR QUESTION.

268–278. In the discussion of this question a number of conditions are involved. In a primitive state of society comparatively few work for wages, but the more civilized and advanced a people become the greater in proportion is the number of those employed by others. The more refined and cultured the state of society, the more extensive must be the manufacturing establishments, and the more varied the industries, whose products tend to satisfy the desires and promote the comfort of such a people. Their onward progress will be continuous; and in consequence the problem of labor, its employment and its remuneration, will also continue to be a subject of conditions, that, from time to time, will require readjustments—hence the propriety of students of political economy making themselves familiar with the outlines of this ever-living question. The great manufacturing or railway corporations must have capital to found and equip them, and when in operation they require immense numbers of employes to carry them on. It is only when there is a true and harmonious combination of capital invested and of labor employed that grand results are produced, since the two are mutually dependent upon one another.

269. **Application of the Golden Rule.**—If the Golden Rule were observed there would be no conflict between labor and capital, much less an antagonism that is injurious to both. When capital takes advantage of the necessities of the workmen it commits a wrong that savors of tyranny, but the workmen are equally culpable when they fail to take special interest in the welfare of their employer and, it may be, are wasteful of the material in hand and neglectful in performing their work to the best of their ability. On the other hand, when the manufacturer may be running his works and deriving scarcely a return, owing to the state of the market, should he ask his employes to reduce their wages sufficiently to share with him a portion of the loss, and they seeing its justness accede to the proposal, in such instance the Golden Rule is applied, and, in consequence, a tie of good-will is strengthened between those who employ and those who are employed.

270. **Associations for Mutual Aid.**—Workmen in the United States, when endeavoring to better their condition, have sometimes adopted expedients which have been resorted to by their fellows in Europe, especially in England, and have formed societies under different names for their mutual benefit. Such associations—Trade Unions, Brotherhoods, Knights of Labor, etc.—are highly commendable when they carry out in

various ways their ostensible object, the mutual improvement of the members and their families. In addition, they can accomplish more in a united capacity than as separate individuals, and, should they deem themselves treated unjustly by employers, they are the better able to redress their wrongs. By such combinations they can often secure higher wages and they can aid one another in obtaining employment.

271. It is an interesting feature of these associations that in improving themselves and their children they can promote the training of the latter in an education higher than that of their parents in skilful manual labor, in order that they may the more easily earn a living. On the other hand, it is a sad reflection, that we sometimes find these unions opposing young men learning trades, lest the latter should enter into competition with their own members. This is a form of wrong of the most injurious character. Especially is this the case in a city where young men and boys are debarred by these means an opportunity to learn trades, but on the other hand are left to themselves without proper restraint; thrown into the midst of temptation to become the victims of vice and idleness, and in the end, in all probability, criminals. Such wrongs are little short of positive crime.

272. **Price of Labor and Strikes.**—Workmen have an unquestioned right to set the price on their own labor, as merchants have upon any commodity which they have for sale. They can agree among themselves what

that price shall be, and, oftentimes, if an employer does not comply with their demand for higher wages, they resort to strikes—that is, refuse to work—in order to enforce their claims. The latter method of redress should be resorted to only when all reasonable means of adjusting the difficulty have failed, such as arbitration by competent and trustworthy friends of both parties. Before entering upon a strike the workmen should take into consideration the many contingencies that may intervene, that many men out of employment stand ready to fill the places thus made vacant by the voluntary act of the strikers themselves, and at the same prices which the latter have rejected. Another consideration is the state of the market for the articles which they are engaged in making—when the market is falling strikes always fail. The workmen should be specially careful not to infringe the rights of the community at large, who are innocent of any responsibility in the case. They should not, if possible, interfere with travelling on railways, and, what is still more objectionable, with the transportation of the necessaries of life, thus bringing distress upon innocent people of limited means, as was the case in New York and other cities in the midwinter of 1887 and 1888, when a strike, based on a frivolous pretext, stopped the freightage of coal on an extensive line of railroads, and, in consequence, raised its price enormously to the poor, who purchase their coal in very small quantities, thus greatly distressing the families of those who work for wages as did the strikers themselves.

273. On one occasion, when the employes of a surface railway in the city of New York were involved in a difficulty with its management, and, to bring the latter to terms, the chiefs of the union compelled the men employed on the other surface roads to quit work, thus interfering with the comfort and rights of thousands upon thousands of innocent persons. High-handed and unjust measures like these alienate the well-known sympathy of the main body of the people from combinations of workingmen. The better portion of native Americans revolt at such outrages, the whole system of boycotting and strikes being foreign to their ideas and habits of justice and fair-dealing. An important element of success to both employers and employes is found in reciprocal kind feeling. Harsh measures of either party toward the other produces distrust, if not enmity.

274. **Distribution of Profits.**—It is sometimes complained that the workmen, in proportion to their share of labor, do not receive a corresponding share of profit. The answer is, as they have no share in the capital, they can claim nothing more than the wages agreed upon, since they run no financial risks, as do the employers. The above objection might be removed by a special agreement. If the workman has no capital an arrangement might possibly be made, by which the owners or corporation could assign to him individually a certain amount.

275. Suppose the capital was $500,000 and one hundred workmen were employed, who as such were on an

equality, there would be assigned to each one $5,000 as capital. The latter would not own this amount of stock, and on it the owners might retain as interest, say seven per cent., in order to cover the expenses of the management, that is $350 ; but suppose the stock nets eight per cent. dividend, then each workman receives as his share $50. Meanwhile he has a fixed salary, mutually agreed upon, but if the profits of the business do not exceed seven per cent. he receives only his wages but no dividend. Such arrangement ought to induce the workman to be industrious and perform his work to the best of his ability, while he would be stimulated to acquire more skill, in order that his salary might also be raised. It is now for his own advantage not to waste the material upon which he works, and to take a special interest in the success of the business of the corporation. If a workman is idle or intemperate, and thus unfitted for the perfect performance of his duties, he would forfeit his right to enjoy the advantages offered. If such theory were put in practice, however, the risks would be unequal, as they would nearly all be incurred by the owners or corporations.

276. **Duties Enjoined Upon Workmen.**—Those engaged in mechanical industries should strive to make improvements in their profession, and seize upon suggestions that may lead to more perfect work. They should utilize their time by putting it to the best use; economize in money matters, and acquire the habit of saving by depositing their surplus funds

in savings banks, or in some way, that it may be in safe keeping and also bring in an income. Meanwhile cultivate the graces taught in the precepts of Christianity; avoid any indulgence of doubtful utility, and especially shun as an insidious enemy intoxicating liquors that tend to evil and nothing good, bring distress and disgrace upon families and utter ruin upon individual character, and destroy the power to use skill, however great originally.

277. Mechanics should also make efforts to have young men properly trained in their work, in order that they may be stimulated to greater exertion. In the large cities there are always young women, as well as men, that ought to be taught a trade or some mechanic art, in order that they can earn a living, and thus become self-supporting and self-respecting citizens. Workmen themselves should encourage this kind of training, for all must labor for a support, and any education that can secure that end is invaluable. It is a sad reflection that workmen, professing to be patriots and well-wishers of their country, often band themselves together under different unions or associations to prevent boys learning trades, lest they should interfere or crowd the field of labor in which they themselves are employed.

278. **Wages in Proportion to Merit.**—It is the dictate of justice and common-sense that the skilled employe, other things being equal, should receive more wages than the unskilled. That fact stimulates every

self-respecting workman to become as efficient as possible in whatever sphere of labor he may choose to engage. When this just principle of pay in proportion to the amount and the perfection of the work done is ignored, and instead regulations adopted by which all the members of the special association—skilled and unskilled, efficient and inefficient—receive the same wages, a great wrong is committed against the employer. The evil does not stop there; it retards the onward progress of improvement in mechanical industries by taking away a stimulant to their greater perfection. It also reacts in a moral sense upon the members themselves, inasmuch as in not performing a duty properly, lurks a temptation to dishonesty, in frittering away the responsibility of each individual workman to perform his respective work to the best of his ability.

XXXII.

CARE FOR FUTURE GENERATIONS.

279–284. **Political Economy** looks beyond the present and the intelligent and patriotic statesman has reference in enacting laws not only to their present effect but their future influence. That parent would be looked upon as little less than a monster who, for selfish ends or mere personal gratification, would waste his patrimony on himself without reference to the wants of his children, who are dependent upon him for their support and their proper training and education. Such conduct would merit the execration of men. The parallel is quite striking between the parent and his children, and the legislators of this generation and the generations that are to follow. The same principle applies not only to the legislatures and executives of the several States, but to Congress and the President.

280. The instances are many wherein these legislative bodies can prevent the wastage and even the extinction of valuable portions of the heritage which belongs in common to this generation and to those that will come after. Many of our natural resources come within the limits of legislative supervision, such as the preservation of our forests, whose products should be

used as needed but not wantonly wasted, sometimes even under conditions that prevent a second growth for the next generation. Many States, and happily the number is increasing, offer inducements for preserving the forests and the general growth of trees. The plan adopted is chiefly in the form of a reduction of taxes in proportion to the number of trees annually planted by the farmers and others.

281. **Legislation to Prevent Loss.**—Along the Atlantic coast of the United States, in consequence of the methods adopted by avaricious fishermen, some of the fishing interests have been almost ruined by the exhaustion of the supply, as in the case of the lobsters along the coasts of New England and some classes of food fishes further south. It is essential that the system should be regulated by the legislative action of Congress for the benefit of the people of to-day as well as of those of the future. Some of the States and also Congress, furnish means to aid and encourage fish culture in our fresh-water streams and lakes, and in stocking certain rivers that flow into the ocean with migratory fish, on the same principle that Congress makes appropriations for internal improvements. In accordance with a wise interference by the National government the fur seal of Alaska, by far the most valuable in the world, has not only been saved from extinction during the last twenty-two years, but was until 1891 on the increase in numbers.

282. **Various Aids to Agriculture.**—Measures that would lead to the better cultivation of the soil would

be in the line of economy. If the farmers were taught to apply such knowledge to the best advantage in fertilizing and cultivating their farms, the gain to the Nation would be beyond compare. The general government has moved in the direction of giving such instruction by endowing, to a certain extent, agricultural colleges. In connection with thus legislating for future generations, Congress has instituted a series of surveys in order to ascertain the facilities by means of canals for irrigating the lands found available for the purpose on the plains and in the valleys in the vicinity of the Rocky Mountains. The melting snows upon the latter furnish an inexhaustible supply of water. These districts have alluvial soils, that are remarkably fertile and only need Nature's great fertilizer, water, to make them abundantly productive. (Irrigation, Nat. Res. U. S. pp. 389–394.)

283. **The Test for Native Voters.**—It is not out of place in a Political Economy designed for American youth to direct attention to the fact, that the material prosperity of the Nation can be promoted by stimulating the self-respect and general intelligence of the people. The system of public schools was completed throughout the Union, when the National government (1868) established them in the recent Confederate States. The cordial support they receive in the States where their beneficial effects have been so long recognized and appreciated is a guarantee of their continuance. There is one feature in the training of American youth to become citizens in good and regu-

lar standing, that in explicit terms has never been introduced, but which may well attract the attention of those elected to make our laws—both National and State. This omission could be supplied by the legislatures of the several States enacting laws requiring every young man on his becoming twenty-one years of age to be able to read and write the English language before he is permitted to vote. The good effects of requiring such qualification would at once be seen in the case of all self-respecting young men, should they find it necessary, in their hastening to qualify themselves to become citizens in every sense of the term, and not in waiting as illiterates, to become twenty-one years of age.

284. **The Foreigner Also Qualified.**—One other law would be essential, in order to make the reform complete. Let Congress amend the naturalization laws so as to require the applicant for citizenship to be able to read and write the English language, before he is permitted to take the oath of allegiance. Foreigners have five years in which they may thus qualify themselves, and if they valued the boon of American citizenship, they would cheerfully comply with such reasonable conditions. If such laws were enacted and enforced, they would in twenty-five years make us, in theory at least, a nation of intelligent voters, since the unfortunate illiterates of to-day would in that time have virtually passed away, and the laws would forever forbid their ranks being recruited.

THE END.

POLITICAL ECONOMY.

QUESTIONS.

INTRODUCTION AND

I.

SECTIONS 1—6.

1. GIVE the reasons why Political Economy is a useful study. From what influences are American youth free? What ought political equality to develop?

2. Why should American youth study this science from their own standpoint? Give the reasons why the study is appropriate for both sexes. Tell why woman's influence should be welcomed.

3. Trace the origin of the first human government, and its results. In these governments, what was the condition of woman? What was a hindrance in Asia to the spread of Christianity?

4. Name the basis of human society and government. Describe the influence of woman among the Greeks and Romans. Name the other ancient peoples who treated woman more as an equal. Explain how the spirit of Christianity promoted her social equality.

5. Give the meaning of the term *economy*. When, and by whom were books first written on the subject? Describe the

process of forming communities. Why was the term *political* introduced?

6. Why the necessity for labor? Explain its accordance with the constitution of man. Wherein do the physical wants of man differ from those of other animals? Describe how the wants of men led to the mutual exchange of the products of their respective labors. Did any willingly work without compensation? What was the simplest form of trade? How did the factory originate? In what respect is ours the golden age?

II.—p. 9.

SECTIONS 7—13.

7. Give the combined definition of political economy. In this study what should be borne in mind? How do the people perform their part? Explain why the study is a branch of Social Science. Why does this study obtain only in a state of civilization? Show how desires or wants increase.

8-9. Repeat the *first* general law. Name the essentials that nature furnishes. Why must men labor? Repeat the *second* general law. What motive stimulates man to labor? Is this right to property duly recognized?

10. Repeat the *third* general law. Show which civilization develops the highest type of social qualities. Why does each generation require more to satisfy its desire than the one preceding?

11. Repeat the *fourth* general law. Show how man must avail himself of the bounties of nature. State the law of equity in the cost of production.

12. Repeat the *fifth* general law. Compare the desires of the savage with those of the civilized man. Give the illustration in relation to ice. Explain why the wants of educated people are so many. How are these wants limited? Compare to-day with the past—in respect to knowledge.

13. State the value of mental training, or wealth. Illustrate its effect upon employments. Explain how iron is obtained. Show the necessity of *science* in directing unskilled labor. Give the instance of the plow and of spinning cotton. Sum up the grand result.

III.—p. 16.

SECTIONS 14—20.

14. Show the teachings of political economy in all its relations. How is the term *wealth* applied? Give the illustration of the greenback, and of the railway. Give the definition of wealth.

15. What is the original source of wealth? Explain the power man has over matter. With what did the Creator endow man? Give the illustrations of how man's intellect utilizes the powers of nature.

16. Show the process by which wealth increases. When is a man wealthy? What *three* virtues assist him? In what respect is nature bountiful? Illustrate how the tastes of the civilized man require almost unlimited labor. Give the instance of the farmer and the coffee raiser; and also the other exchanges. Enumerate the essentials for the comfort of a civilized family at the breakfast or dinner table. What is the effect of refined tastes and desires on the diversified industries of mankind?

17. Show why education does not cause the race to deteriorate. Enumerate the indications in respect to the people of the United States. What has this to do with the elevation of character?

18–19. What is said of diversified labor? Illustrate by the mechanic's tools. Give a summary how the materials of a house are procured. How may labor be unproductive? Give examples. Illustrate how labor may be positively injurious.

20. Explain how labor may be influenced by the demand. Enumerate the classes of commodities that will always be in demand. What is said of fancy articles. In what products consist the main stimulus to labor?

IV.—p. 25.

SECTIONS 21—25.

21. Give the first definition of value, and how it is applied. Give the second, and the illustration. Compare the intrinsic value of gold with that of iron.

22. Explain why value is a relative term? On what basis are commodities exchanged? State why gold was chosen as a standard of value. Explain why its discovery in Califorina affected prices. Give the causes which may affect values.

23. Explain why exchange-value is service for service. What share has man in creating values? What is the base of exchanges among men? Give the illustration; show why value is not limited to material things. Give examples.

24. What do we mean by price? Explain the difference between value and price. Tell why intrinsic value remains unchanged. When is the value lowest?

25. Explain the influence of supply and demand upon values. What classes of commodities are affected the most by those fluctuations? Were there no variation in supply and demand; what the effect? Give a summary of the influence of competition on prices. Give the illustration. Give an illustration of your own. What is said of virtual monopolies?

V.—p. 32.

SECTIONS 26—39.

26. Name and describe the *four* divisions. Cite the instances in which man modifies the original materials. Describe production and comsumption. Why is there an unending production?

27–28. Describe the process which makes these productions accessible to the consumer. Explain the mode and basis of exchange. Why are civilized men so dependent upon one another to supply their respective wants? How does man utilize natural resources? Describe how he avails himself of the powers of nature.

29. What is said of man's directive power? Why can he claim as property his own productions? How did he first use power? Show how his facilities for using the powers of nature have increased. State how the application of these powers is his own work. Explain what the Creator supplies.

30--31. Define mental wealth. How is it attained? The best aid; is only what? What effort is essential to the grand result? How are mankind trained? Give a summary of the process. Describe fully the effect upon the race.

32. What is said of inventors? Under what conditions are inventions useful? Give examples. Why the necessity for continuous labor? Give illustrations.

33. What is said of the extension of knowledge? What of school-books? Describe the two lines on which the American people are advancing. Explain what is the essence of an educated mind.

34--35. How does nature supply conditions? Illustrate by the blacksmith and the farmer. Give result of mental labor. Sir Humphrey Davy.

36. What is said of Edison, of Fulton, of Stephenson? Describe the influence of inventions. What is said of the mathematician; the engineer; the chemist?

37--38. Give incident of the farmer and the boy. Name and describe the two classes of natural agents. Describe the value of each. What is said of the horse?

39. Enumerate the inanimate powers; the wind; the force of steam. Describe the work done by the latter. Tell how these powers have been adjusted by the intellect of man.

VI.—p. 45.

SECTIONS 40—42.

40. Describe the *three* divisions of industries. Explain why agriculture is so important to man. Mention the facili-

ties for work that the farmers of to-day have. Explain why farming has little room for division of labor. What are its advantages? Why are so many persons in the Union engaged in agriculture? Whence comes the food not provided by the farmer?

41. Explain why transportation is essential to both the producer and the consumer. Illustrate its advantages to the West and the East. Compare the means of transportation in the past with the present.

42. What is said of commercial industry? Illustrate by sending Merrimacs to China, etc. Describe the process of fitting out the ship. What is said of the mathematician?

VII.—p. 50.

SECTIONS 43—48.

43--44. Explain why division of labor secures rapidity and perfection in work. Give the illustration of training the fingers. Name the book, and relate the history of its effect. In what ways was it beneficial? State the effect on manufactures. Explain how division of labor aided different classes of work. What the effect on the numbers employed and on the price of the articles made?

45. Give the illustration of making a barrel. Name the advantages in thus making barrels. Why are they better made and cheaper?

46--47. The loaf of bread; what is said of it? Describe its origin and how made, and how it gets to the consumer. Show the advantages of division of labor in manufacturing on a large scale. Illustrate that only one state of society fosters division of labor. What is the influence on the amount of work produced and its perfection? And its cheapness? Give the instance of the threshing-machine. What has been the general effect of the sewing-machine on dress-making?

48. What is said of the evils incident to the division of labor? Show how they can be avoided. Why is the mental

strain diminished by practice. How can the physical health of workpeople be preserved? Give a summary of the benefits of division of labor to the people at large.

VIII.—p. 57.

SECTIONS 49—54.

49. Explain the connection between capital and labor. What is capital? How defined? In what sense is the term used in political ecomony?

50. When does money become an active agent? Illustrate how. Show that the raw material is a small portion of the expense in manufacturing. Wherein is the great expense?

51. Give the illustration of the range of capital. Instance the railway company. Describe how the surplus may become capital. What is said of a pleasure-yacht?

52. Give examples of capital changing its form but increasing its value. Illustrate from the raw material as iron ore, etc. Describe how this principle pervades all mechanical industries. How can capital become unproductive?

53. Define the difference between fixed and circulating capital. Give illustrations of the two forms. Which one is the outgrowth of the other? Give the examples. What is money lying idle?

54. Enumerate the usual causes of over-production. What should the manufacturer or capitalist take into account? What two markets ought to be considered? What the effect on the workpeople?

IX.—p. 64.

SECTIONS 55—58.

55. Explain why *skill* is one form of capital. Give examples wherein skill may be claimed as special capital. Give the illustrations, of the trained eye and the hand.

56. In what respect do dividends derived from the several

classes of capital differ? State how the two classes of capital can be utilized.

57. Show how the two classes of capital can be united. What is said of the farmer or the mechanic of limited means? Describe how the two capitals can act in harmony even in large enterprises.

58. Repeat what is said of the two classes coöperating. Give the reasons why seldom single individuals enter upon extensive manufacturing, etc. Describe the mode of obtaining money-capital for large enterprises. Show the two-fold effect. Explain that under coöperation the two capitals can be combined without mutual interests clashing.

X.—p. 69.

SECTIONS 59—67.

59.—60. Define coöperation. Explain how the values of the two classes of capital are estimated. What is said of an ideal standard of skill-value? Give an outline of the coöperative plan suggested. Upon what class of workmen would the plan act as a stimulant? Give the illustration in respect to dishonest work. State the evil influence of such practice on the workmen.

61. Show upon what depends much of the success in manufacturing establishments. Give a summary of the evils that result from injustice, either on the part of the employers or the employes. What rule of action should govern both parties?

62. Give the reasons why large sums must be invested in great enterprises, in order to supply the desires of highly civilized nations. Who are ready to be employed in the great work? Give an outline of what justice demands. Show the evils of all being capitalists or all employes. State the benefits of both acting in harmony. How does capital benefit wage-earners?

63–64. What element is essential to the success of every industry that is conducted on a large scale? Upon whom rests the obligation to deal justly? Give a summary of the difficulties in securing a perfect combination of benefits to both parties. Describe how one generation avails itself of the knowledge of the one previous. Give the illustration of the clock and the watch.

65. What is the influence of education in using inventions? Why does coöperation, in order to be successful, require intelligence among its members? What is said of a *caste* feeling and of *political equality?* What of a common school education? In respect to education, what is peculiarly proper for us as a Nation? Upon what does its material progress depend?

66. Give a summary of what is specially essential for the success of coöperation. What should be the prevailing purpose. What the influence of self-respect? Give a summary of the duties of the members.

67. Show what can be the social advantages of a coöperative association. Describe how political economy recogonizes the importance of intelligence and morality. Mention the facilities for self-culture that can be utilized by the members of such associations.

XI.—p. 80.

SECTIONS 68—77.

68–69. Why are taxes levied? State the difference between direct and indirect taxes. Name the several forms of taxes. Give the history of the relations between our two governments as to the mode of their support. Show the propriety of the National government being supported by duties on imports. Why do the State governments receive funds from taxes on real estate, etc.? On what conditions does the National government reserve the right to levy an internal revenue or tax? Explain why each class of property should bear its share of sustaining the two governments.

70. Explain the mode of levying taxes by the States. Describe the more complex system of obtaining funds by the

National government. Mention the contingencies in adjusting a tariff. Name the two main objects to be secured; that is, the requisite funds and afford also ample scope for the development of our mechanical industries. What two modes produce no revenues? Give reasons why neither of these can be adopted. Explain how the National government can avoid the evil.

71. What interests does the third mode make *secondary* to obtaining revenue? How will true statesmanship legislate? Describe the limited range of the *direct tax* in contrast with the *indirect.*

72. Show in what respects the expenses of manufacturing in Europe are much less than in the United States. What the difference in wages? What is said of equalizing the cost of production? Give the reasons why foreign property brought in for sale should bear its share of the expenses of the National government.

73. How is the key applied? Give the illustration in the case of dress-silks. In what respect does this duty aid the American manufacturer and his workpeople?

74. State the question and the negative answer. Why may not that principle be applied to all American manufacturing enterprises? What does justice to our workpeople demand? How could workpeople purchase if they are out of employment?

75. Give the reasons of the railway president. What is said of the home-made rails and the business of the railroad?

76. Explain the expediency of a judiciously adjusted tariff. Name the luxuries that have a greater duty imposed. Who purchase these cheerfully?

77. Enumerate the classes of taxes besides the two chief ones. Give the purposes for which they are levied, and how they are collected. Name the difficulties encountered in imposing and collecting an income tax. What is the system contrary to?

XII.—p. 91.

SECTIONS 78–84.

78. Illustrate the character of a good government. What does the National government guard? What, in this connection, should be the object of a government known only by its blessings?

79. Give the outline of a plausible but misleading phrase. How does the principle apply to our wage-earners? What only commodity have they to exchange?

80. Describe what judicious legislation accomplishes. Explain why the American people demand a high grade of comforts. Enumerate the foreign articles that our surplus of products is sufficient to purchase.

81. Show why high wages and corresponding prices are more desirable than the reverse. Explain the tendency of home competition. Repeat what is said of deposits in savings-banks.

82. In what way are the prices of commodities governed? Give the illustration in relation to railroad iron. State how the government intervenes. Why does the larger amount regulate the price?

83. What is said of the regulation of the price of wheat and coal? Show when the home production fixes the price.

84. What is the influence of a standard of comfortable living upon American workpeople. Sum up what they enjoy and what they still wish. What do the American workpeople ask of legislation? State the two classes of competition in the United States. Explain the conditions under which competition with the foreigner is fair.

XIII.—p. 97.

SECTIONS 85–90.

85. Define wages—to whom given? On what conditions are men usually hired? Give the name usually applied to the wages paid the more responsible employes of corporations.

Name the terms applied in the case of lawyers, physicians, and also of agents.

86. Give the distinction between real and nominal wages. Give the illustrations. Explain the effect of finding gold in California, on wages and the prices of commodities. Explain the change in prices soon after the close of the Civil War. Name the two remedies for the evil suggested.

87. Show how speculation may affect prices, and indirectly wages. Name the products that are the more easily affected.

88. Name in order the modes of payments for labor. Show how employes may be imposed upon.

89. Give a summary of the conditions that may affect wages. Enumerate respectively the employments that affect wages, and why?

90. Explain how the relation between the employer and the employe may affect wages. Give examples. Show how diversity of employments affects wages.

XIV.—p. 104.

SECTIONS 91–97.

91. How does the intelligence of the workman enhance his wages? State the advantages of training the pupils of the public schools in the principles of mechanics. Trace the effect of such training upon American youth.

92. Give the number in the community that work for wages. Explain what common-sense and prudence teach. What estimate do the American people place on labor?

93. What is said of the complaints of workmen in respect to incomes? Show how the fruits of former labor are recognized. Explain the condition of the two periods. That of the former wage-earner and that of the present? What appears to be the Divine arrangement?

94. State all the items that are included in the dividends of the employer. Compare with their incomes the responsibilities, and care of the employer and that of the employe.

95. What is just to the wage-earner and to his family? What the desire of patriotic statesmen? What is said of the style of living among American workmen? What is said of true self-respect? What of self-indulgence?

96. Give the illustration how wages may be influenced. State the duties of both employers and employes. What general rule or principle sometimes prevails with both parties, instead of applying the Golden Rule?

97. Explain how the selling-price of the products of the factor may affect wages. Trace the mutual rights of the employer and the employes.

XV.—p. 111.

SECTIONS 98–103.

98–99. Compare the area and position of the United States with those of Euorpe. Compare the natural resources of the same. Show how industries are affected by climate. Give illustrations. How are the people benefited by diversities of industries? Show how trade is promoted between the States.

100–101. Give a summary of the characteristics of the different sections of the Union. Name the agricultural products in order. Show how competition influences wages. Cite the illustration.

102. Explain why employers when they wish to curtail their expenses, usually lower the wages of their employes. How does competition among the employes themselves, affect wages?

103. Give an account of competition in respect to monopolies. Describe the process. Explain the effect of injudicious competition. Give illustrations. From what do some such mishaps originate?

XVI.—p. 117.

SECTIONS 104–112.

104. What is the ostensible object of the labor unions?

What efforts have been made to unite all the unions into one association? Where did labor unions originate?

105. Explain the general plan of union in the United States. Explain why strikes are ordered. Tell what is said of a "tie-up." When do strikes often fail of their purpose?

106. Explain how sacred rights are violated. Show the evil of preventing young men learning trades. What is often the consequence of the evil, especially in cities?

107. Show the far-reaching evil influence upon the next generation, of this wrong. State the rights of the members of the union. Show how changes should be made.

108. Describe how these evils can be avoided. How can the grade of excellence be raised?

109–110. Explain the mode of industrial partnerships. Show what would be a great gain if kindly feeling prevailed. Explain how the sphere of woman's labor has been increased within recent years. Show how the example set at Washington has been copied. What is specially required of her in this enlarged field?

111. Explain why the wages of women are comparatively smaller than those paid men. What is said of bygone custom? Give a summary of the arguments for and against.

112. Give an outline of Dr. Wayland's views.

XVII.—p. 124.

SECTIONS 113—124.

113. Describe the American home market. Give the reasons why it affects wages. Give a summary of the natural resources of the United States. What becomes of our surplus? What should we utilize?

114. Explain the effect of settling new territories. How are wages affected by the home market? Show why the American people demand the comforts of life.

115. Give a summary of the value of our foreign trade.

Contrast that value with that of the home trade. What was an instance of far-reaching wisdom? Give an account of the "Imperial Market" as stated by Mr. Gladstone. Show how our statesmen may profit by his suggestion as to the proper "policy."

116. Give a summary of the questions and answers in relation to an exchange of products. What class of goods will the Americans take in exchange? And what class will they make themselves?

117. What is said of the population of Europe and the effect? What the influence of low wages? What is said of special American manufacturers? In what respect to a certain extent are the nations of Europe dependent upon the United States?

118. Describe fully how the American people are mutually dependent. Give the illustrations in full. What says an English writer on political economy on the subject? What is said of the cordon?

119. Describe all the mutual interests involved. State the fallacy and injustice of *mere* cheapness. Give the illustration of the hatter, etc. Tell what honesty includes.

120–121. What is said of the two interests? Give the illustration of the two classes of Merrimacs. Why and how does the National government interpose? On what ground is the foreign competitor welcomed? State why every producer has the right to name his own price. On what is that price based? On these conditions can the foreigner raise the price? Can he lower it?

122. Explain on what grounds the importer pays the duty. Give carefully the illustration in respect to tea and coffee. Explain how the consumer would pay the duty. To what instances does this principle apply? What is said of the duty on competitive articles that come into our market? Give the illustration of the barley. In what instances does this principle hold true? On the other hand, what is the statement? Give in full the reason for the enactment of the Inter-State

Commerce Act. What are the commissioners authorized to regulate?

123. Explain the *Mercantile* theory of commerce. Why has the theory been rejected? Give a summary of the different lessons taught by experience and statesmanship. Explain the true objects of commerce. Give the illustration of the flour merchant.

124. Explain the *two* methods for diminishing the revenue. Give the reasons for each. What is said in this connection about high duties on luxuries?

125. Give the reasons why the American people are so homogeneous. What does that condition promote? Give reasons why foreigners and their children are so easily moulded into the nation. What is said of their self-reliance?

XVIII.—p. 139.

SECTIONS 126—137.

126–127. What is said in respect to the holding of land? Describe the mode of land holding in Palestine. Explain from history why we have no law of entail. What became of the large tracts of land given to royal favorites. Why were they broken up?

128. Give the definition of rents. Give a summary of the varied forms in which the term is used. How is the rent graduated in rural districts. Name the various conditions that affect the rate of rent.

129. Give a summary of the various kinds of soil. Tell how these affect the respective crops of different sorts. Show how these numerous grains, fruits, grasses, etc., must be planted in congenial soil.

130–131. Explain why there is a limit to the production of the land. What are "diminishing returns"? Define ground-rent. Name the general rule pertaining to it. To whom usually accrues the benefit and to whom the loss?

132. Name the essential elements that enhance the value of

land. Describe how lands are made accessible to markets by roads, etc. Explain why the prairie-lands are so easily cultivated. What is said of the lands of the great West?

133. How is the extra expense of high wages for labor overcome by the Western farmer? Compare the labor of preparing the native soil when covered by forests, and that of the prairie-lands.

134–135. Explain fully why the increase of population affects rent. Show why garden land pays a higher rent. Why does land as property afford a comparatively low income? What is the explanation given? State what is said of the title, etc.

136–137. Show how a universal desire exists to possess land. How has its possession affected men politically? What position has the government taken on the right of suffrage? Explain why the value of land is often enhanced. What is the usual drawback in cities.

XIX.—p. 146.

SECTIONS 138—148.

138. Define interest, in its three relations. What are loans on call? Give the illustration of the farmer. Show how the community is benefited by the judicious use of borrowed money.

139. Explain how rates of interest are affected by risks. Enumerate the various kinds of risks. Give illustrations.

140. How does the character of the borrower affect the rate? Describe the mode of mutual endorsements. Name the risks incurred in such operations.

141. Show how the scarcity or abundance of money affects the rate of interest. State how circumstances increase the rate of interest.

142–143. Give the reasons why prosperity enhances the rate of interest. In this respect compare the new states and territories with the older portions of the country. Why are usury laws necessary? State when such laws can be properly applied. How are they evaded?

144. State the objections made to usury laws. Whom are they designed to protect? Explain how usury laws can be made the occasion for injuring correct morals.

145. Define the meaning of dividends and profits. What are stock companies? Describe their sphere of action.

146. Explain the mode in which such companies are formed. Why are they incorporated? Describe the managements of such corporations. When are the profits properly declared?

147. Explain in what way such companies are liable to risks. Enumerate the mistakes that may be made by the management.

148. Show what two elements are combined in making up the dividends. Explain the relation which the stock-holder sustains to the corporation. State the benefits conferred upon the people by those corporations.

XX.—p. 154.

SECTIONS 149—159.

149. What are the conditions under which exchanges are made? Name the facilities used in making exchanges. Explain the importance of exchanges.

150–151. Define a market. What two markets are known to trade? What their influence on the producer? Describe the various modes of exchange. What do these complicated exchanges involve? Give the illustration of the Texan planter, etc.

152. Name the accepted measure of value and the utility of its adoption. Are values relative, and why? Illustrate the basis of the value of commodities.

153. State the two inherent elements of value. Explain the effect of supply and demand on the exchange value. Show the tendency of cost and competition on market prices.

154. What does free competition regulate? Explain the remedy for over-production. What is said of cost, etc.? Is the lack of foresight an evil, and why? Name the conditions that influence values. Explain why deficiencies in manufactures can be rapidly supplied. What is the case with agricultural products?

155. Explain the necessity for exchanges, and why? Is the mutual dependence of the people limited to mere neighbors? Describe the office of the merchant. Show how man is socially affected by this dependence.

156. What is the effect of these exchanges within the United States? Show how industry stimulates exchange. Describe the effects of such stimulus to promote civilization.

157. Explain why these free exchanges have a tendency to unite the American people in sympathy. What is said of our available territory? Contrast our homogeneity with that of the nations of Europe. What is said of our fertile soil and diversity of climate? Explain why we are so independent in respect to the comforts of life.

158. What is said of the classes of products exchanged within the Union. Give a summary of our home productions.

159. Explain how exchange belongs to the system of the division of labor. Give illustrations. Describe the vocations of the merchants, the brokers, the bankers, etc. Why does the system become more and more complex?

XXI.—p. 164.

SECTIONS 160—170.

160. What is said of trade in early times? Give an account of the first instance on record in which silver was used as a medium of exchange.

161. Name the different metals that have been used as money, where and at what time? Define the word *pecuniary*. Give reasons why silver was stamped or coined by the government. What does the stamp authenticate? Why did silver become so prominent?

162–163. Give the reasons why gold and silver became the standard of value in the commercial world. What two conditions are essential to coined gold and silver? Before coinage was adopted name the liabilities to fraud. Give the history of coinage. Explain why gold and silver must be alloyed when coined.

164. Give the respective weights of pure gold in a dollar and also of the alloy. Give the same of the silver dollar. Name the usual ratio of value between gold and silver. What is understood by standard weight? Name the component parts of our three and five cent pieces.

165. Give the reasons for the variations that have occurred in the ratio of the values of gold and silver. What is said of free coinage? How can it be abused? What is the ratio of gold to silver in Europe? what in the United States? Quote the opinion of Baron A. Rothschild.

166. Explain the utility of having a standard value. Give the illustration. Explain why gold and silver are the products of labor.

167. Give the illustration of the ten-dollar gold coin or bank-note. How is money characterized? What should be a measure of value?

168. Explain how the relative values of gold and silver were adjusted. Define bimetallism. What is said of gold as a legal tender? And of silver?

169. When does legal tender interfere in payments? Define the difference between being *legally* liable and *morally*. Explain the effect if both gold and silver were legal tender to any amount.

170. What is said of the fluctuations, etc., of gold and silver? What is said of the output of silver? Give the history of the gold currency in the United States and also of the silver.

XXII.—p. 174.

SECTIONS 171—182.

171–174. Cite the influence of confidence of man in man.

What the effect on mercantile transactions? Give illustrations how this confidence pervades society. Name the forms of credit. Give the illustration. What is said of the credit of banks? What is the process of depositing in banks or investing in stocks? Describe how bonds are a form of credits. Give examples.

175–176. Show how bank-notes are a form of credit. What is meant by private credit? Describe on what rests the credit of the greenbacks and National bank-notes. Explain the basis of credit. How can credit command capital?

177–178. Explain the various uses of credit. Describe the result of the proper use of borrowed capital. Enumerate the advantages of utilizing business talents. What is the effect of bringing into use the small sums held by the people?

179. Explain why a check on a bank is a form of credit. What would be the effect if the system of credit was abandoned?

180. Describe the process of adjusting accounts in clearing-houses. How has this system been extended?

181. Explain how *mercantile paper* is used. State the liability or risks involved.

182. What is said of the ring? And its results sometimes? What is said of reckless speculations? Name other ways in which confidence is often abused.

XXIII.—p. 182.

SECTIONS 183—190.

183–184. Give the origin of banking. Show why it is a labor-saving machine. Explain how banks facilitate business. Give the process by which loans are obtained from banks. What is said of discount?

185–186. What are promissory notes? Explain how used. What are bank-notes and how used? On what is their credit based? Why are such notes convenient? When are they accepted at their face value?

187–188. How should the issue of bank-notes be regulated? Give the illustration. Give the modes of protecting the depositors. What is said of all the notes being returned to the bank's counter at one time?

189–190. What are savings-banks and what their design? Why are the directors careful to have good security? Give the reason. Why do they pay a comparatively low rate of interest? Explain the manner in which commercial banks conduct business.

XXIV.—p. 187.

SECTIONS 191—194.

191. What was formerly the prevailing custom in chartering state banks? What were the consequences? How was the stock often made up? Explain the risk run by the depositors.

192. How far did state banks extend their circulation? When came the remedy for these evils. Explain why these notes were held at a discount outside the State. What was the only medium of exchange throughout the Union?

193. Describe the basis of credit of the National banks, what is said of the discounts paid? Explain why they are received at par? Give the regulation by which a National bank can be organized. Explain why there is no distinction in these bills.

194. Describe the conditions under which the National banks are organized. How are they guarded against over-issue? Are the notes perfectly safe, and why? Explain why the system is uniform throughout the Union.

XXV.—p. 191.

SECTIONS 195—213

195. Give the reasons why the discussion of these *two systems*, is specially valuable to American youth. Explain the relations between the two governments. Explain that we

have two independent sources of revenue. Define the authority delegated to Congress, and the effect.

196–197. Define the two terms, *indirect* and *direct* taxes. Explain how they are levied and how collected. Which obligatory and which voluntary in regard to payment? Give the reasons why this subject is of peculiar interest to the American people. Define free-trade and protection.

198. What is the effect of free-trade upon direct taxes? Give the reason and justice why foreign property brought in for sale should be exempt from import duties. Explain what class of property pays a low percentage of profit.

199. Explain the two kinds of competition. For what purpose should Congress legislate? Explain the underlying principle in respect to price. What applies to both the European and American manufacture?

200–201. Why should not the American manufacturer protect himself and his employes if he pays higher wages? What right is claimed by all nations? Explain why it is difficult for Congress to adjust a tariff. Explain how the respective wages paid can be taken as a basis.

202–203. Explain why an American tariff cannot be absolutely perfect. What is said in relation to the rate of the tariff on silk fabrics when compared with the respective wages paid? Explain the fair competition of the foreign with the domestic articles.

204. Explain in full what is proposed in the extension of the division of labor. What is the reason given for the theory of such extension? State the effect of climate on certain productions. What the influence of extreme cases? Why can the American people manufacture for themselves? Why not utilize their own numerous resources?

205. Show why free-trade with outside nations is not adapted to the United States. What form of tax is repugnant to the American people? What is said of high-priced luxuries? What the policy of the American people?

206. Explain what would be poor economy for the Ameri-

cans. Show why on certain articles they cannot compete with Europe. Name what the Americans have to exchange.

207. Show how free-trade discriminates against American property. Why should foreign property he held more sacred than domestic? Give the illustration of the case of silks and an acre of ground. What is said of the impulse given to individuals?

208. Explain the governing principle in commerce. Give the illustrations, etc. How does England discriminate? and why? Show how free-trade is only a theory. What is said of the kindly feeling among nations?

209. Explain the philanthropic theory. Show how the American people manifest their humane sentiments. Explain the Homestead Act, and its effects.

210. What should American youth study in this connection? What confronted Congress in 1789? How did England treat the American Colonists? What did William Pitt say and mean? What happened to American industries through British merchants?

211. Explain the difficulties of the American statesmen of that day. Give an account of the legislation of the First Congress. What is said of the preamble? Describe the influence of that legislation. What is said of their great rival?

212. Show wherein this legislation was judicious. What is said of the import duties defraying the expenses of the National government? Describe the effect of a tariff too high and of one too low. Explain how the golden mean is attained, and the result.

213. Give a summary of theory versus practice. Give the inference drawn. Give the exceptions. When is the duty imposed a protection?

XXVI.—p. 207.

SECTIONS 214—238.

214. Cite the two aphorisms. Show how the second one

applies especially to wage-earners. How is the second one made applicable? What interests are to be guarded?

215–216. Show the advantages of high wages. What is said in respect to comforts? Cite the facts in respect to the deposits in savings-banks. What is the object of the legislation on the subject? Enumerate how disturbing elements may creep in. Show how these may call for a revision of the tariff.

217. From whom do American wage-earners purchase the necessaries for their families? Explain how much do they expend on foreign products. Give the illustrations of these exchanges. Show the benefit of all industries being successful. Show how they sustain one another. What is the effect of home competition?

218–219. Explain the only commodity of the wage-earner. What is admitted and then added by free-traders? How would wage-earners be affected *first* and *second?* What would be the rate of the diminution of wages? What would be the effect if both governments were to be supported by direct taxation?

220–221. In what two ways do the funds derived from import duties aid the workpeople? What competition do the protectionists wish? Show how they are consistent. What is said of monopolists?

222. Show that international free-trade is not available. What is said of the social inequalities in Europe? Describe what protectionists wish to secure. What is said of the availability of the people of the United States?

223. Give the reasons for a home free-trade among ourselves. What is said of our extent of territory; of our diversity of climate and productions? Describe our means of internal communication, etc.

224. Name the elements of harmony that prevail among the American people. Their industries; their natural re-

sources; political equality; their civil and religious liberty; public schools. The continuous intercourse among the people from one section of the country to another. Contrast these with Europe.

225–226. Describe what should characterize an American tariff. What is the scope for the exercise of the peculiar shades of talent, etc.? Why is it a nation of itself? Why does England import grain free of duty. Why does she impose a duty on tobacco and liquors? Show how the United States exercises the same right of importing free of duty raw materials which they cannot produce themselves. Name the articles thus brought in.

227–228. What is said of the change of basis as to one of the objects of the tariff? How is it adapted to affect wages? Give the American idea of the State. Tell what patriotism demands. What is said of the native-born workpeople? Give the comparison.

229–230. Explain the influence of intelligence in manufacturing. What do the advocates of protection propose? What says the London *Times?* What does free-trade ignore? Give the additional reason urged by protectionists; and why?

231. Give a summary of what is said of assertions and facts. What the statistics on the subject? Compare the comforts of foreign wage-earners with those of the American. What is said of absolute right, etc.? State the reply.

232–233. Explain how wages seek their level. State the process by which wages are forced down. What remedy do protectionists apply? Free-trade makes a change. What is the result? Explain why *cheap* commodities are not so desirable as *living* wages. Who are the consumers? Why do they truly buy cheaply?

234. Explain how our own free-trade market is aided by a judicious tariff. Give the illustration drawn from the new States and Territories. What facts do free-traders ignore?

235. What is said of American manufacturing one hundred years ago? Give the illustration in respect to items of industry. Name the facilities with which manufacturing commences in the Western and Southern States. What is said as to the expense of living?

236. Give in full a just comparison. What is said of the cordon? What is said of sudden whims? Wherein are the rivalries?

237. Reciprocity, how defined? Explain why the position of the United States is unique. Why is reciprocity peculiarly available for them? What is said of their mechanical industries?

238. Name the productions of the United States. Show how reciprocity does not interfere with our mechanical industries. Name the productions of the countries which are affected by reciprocity. Explain why a bounty is given on sugar. Who names the price on foreign sugar? Explain why these bounties under the circumstances are an act of justice. Describe why the policy is far-reaching. Give an illustration.

XXVII.—p. 229.

SECTIONS 239—248.

239. Explain the main object of this form of a tariff. Show in what position it places the National government. Describe the effect upon the manufacturers and their employes. Show in what respect this scheme of a tariff fails in promoting the interests of our people. What is said of the difference in the cost of production?

240. What is said of a tariff whose rate did not equal the difference in the cost of production? Who is the first to suffer? In American manufactures what percentage of the cost is in the wages?

241. What is the rate of the raw material when compared

with the price of the finished product? Give the illustrations. What representation is misleading? Give the illustration drawn from the bale of cotton.

242–243. What is the effect upon the nation that exports its raw material? and what the reverse? Give the summary in full.

244. Compare the primary object with the promise of incidental protection. Give the objections of protectionists to this scheme. What remedy do protectionists propose? Give the historical illustrations.

245. Explain what protectionists claim of secondary importance. What two ends have been attained? In what way should a tariff be adjusted? Explain the policy of a high tariff on luxuries. Whom does this policy befriend?

246–247. Describe the two modes of regulating the revenue. Explain the different effects of the two modes. What is claimed for the second mode? Describe how trusts originated. What is said of monopolies? Give an instance.

XXVIII.—p. 239.

SECTIONS 248—252.

248. Give the definitions of socialism. How did it find its way to the United States. Explain why it cannot prevail to much extent in the United States. Contrast the aid given by governments. Describe the *caste* influence in Europe.

249-250. Give a summary of the aims of socialism. What is said of its success? Show how it is opposed to the order of society. How does the system propose to elevate man? Explain the barrier? What is said of the ownership of land? Describe the worst influence of socialism.

251–252. What is the proper sphere of the State in aiding the citizen? What is said of production? State the experience of the ages. Show what American institutions supply.

Name the three elements of success. What is the demoralizing effect of socialism? Give a summary of its influence.

XXIX.—p. 245.

SECTIONS 254—259.

254. Explain why railroads are so beneficial to the people. What function has always been exercised, etc.? What is meant by "eminent domain"?

255–256. For what purpose are charters given to such corporations? What is the duty of the proper authorities? Describe how such corporations are organized. Explain how the business is managed. On what principle do the stockholders vote?

257–258. Enumerate the rights which a railroad corporation exercises. Why cannot the citizen do the same? What is said of the public good? Show why the railway is an agent of the State. What service does it perform? Enumerate the rights of the stockholders. In what respects is the stock private property?

259. Give a summary of the benefits of railways to the American people. Describe the interchange of our various products. Show wherein railways supply the home market. Describe their stimulating influence upon the varied industries of the Union.

XXX.—p. 250.

SECTIONS 260—267.

260–261. In what respect have we been complimented? From whom did we borrow money abroad? Give a summary of the Nation's debts at different times. State the amount for each inhabitant at these different periods. What was the amount of debt at the close of the Civil War. Give the reasons why the pupil should study the subject.

262–263. State the dilemma. In what respect did the national authorities act cautiously? Name the difficulties in their way. How were these overcome? Give the dates and the several amounts which Congress authorized to be borrowed.

264–265. Describe the different classes of bonds. How was the interest paid? What is said of registered bonds? What was designated by their names? Give the examples. What is said of *greenbacks?* Is interest paid on them? Explain how the government obtains *coin* to pay the interest on its bonds.

266–267. Describe the character of the bonds issued near the close of the War. Their rate of interest and when due? Give an account of the " fractional notes." When and how were they superseded? Explain how funding is accomplished. Give the results.

XXXI.—p. 256.

SECTIONS 268—278.

268–269. Explain why among a highly civilized people a greater proportion work for wages than in a primitive state of society. Why will the labor problem continue to be one of interest? What combination insures success? Explain the effects of the application of the Golden Rule.

270–271. Show how associations of workmen can aid their respective members. Give reasons why when combined their influence is increased. Name the good effects on their families. Show the injustice of opposing young men learning trades.

272–273. Explain an unquestioned right. Explain how strikes can be abused. Before entering upon a strike, state what should be considered. Explain what rights should not be infringed. Give illustrations in which strikes have injured innocent persons. What is the effect of such high-handed measures upon the sympathies of the people at large?

274–275. What is said of the distribution of profits? Cite a possible arrangement by which the employer and the employe might share the profits. What the effect of such arrangement? What is the advantage to the workman? How would he forfeit rights?

276–277. Cite some of the duties and obligations of workmen. What should he cultivate and what shun? What is said of training young men and also young women? Wherein is the advantage of such training?

278. Give reasons why wages should be in proportion to merit. Show why the reverse is an evil. Illustrate the principle of doing honest work.

XXXII.—p. 264.

SECTIONS 279—284.

279–280. Describe the parallel between the parent and the United States government. Give the illustration of the preservation of forests. What is said of the plan?

281–282. State what is said of the fishery interests. Explain how the food-fishes can be increased in both the sea, and in inland waters. What of the fur-seal? What is said of the aid afforded farmers? Describe what Congress has done in the cause. How is irrigation promoted?

283–284. What is said of the public schools? What of intelligent voters? What is said of the enactment of laws on the subject? State the result of such laws upon native young men. What should Congress demand as a qualification of the foreigner? Explain what would be probably the effect if both these laws were properly enforced.