MUTUALISM

A Social System Based on Equal Freedom, Reciprocity, and the Sovereignty of the Individual Over Himself, His Affairs, and His Products, Realized Through Individual Initiative, Free Contract, Cooperation, Competition, and Voluntary Association for Defence Against the Invasive and for the Protection of Life, Liberty and Property of the Non-invasive.

ANARCHISM

What is Mutualism?

Clarence Lee Swartz

What is Mutualism?

Clarence Lee Swartz was an American individualist anarchist, a mutualist on economic matters, a devotee of Benjamin Tucker and even more harshly critical of anarcho-communism than him. He edited an anarchist journal called Voice of the People and was an assistant editor for Moses Harman's journal entitled Lucifer, the Light-Bearer. He was arrested in Kansas City, MO for distributing a newspaper called Sunday Sun in 1891. The charges were dropped when the prosecutor failed to show in court.

Clarence Lee Swartz

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cost principle, so that society may at last move in the right direction.

For the inauguration and successful operation of the Mutual Bank, a considerable number of representatives of diversified industries would be essential. The organization of such a group must be the first task of those who wish to put that phase of Mutualism into practice. The co-operatives have such an aggregation already at hand, organized and trained in associative effort. Here, then, a beginning can be made, if such associations can be brought to perceive the immense benefits to all society to be derived from this extension of their principles. These associations have the psychological foundation and the mechanism for the purpose. Mutualism offers them this opportunity and assures them of its hearty co-operation.

The methods of approach for the credit group of organizations must, by now, be self-evident.

Money and insurance at cost; occupancy and use, as essentials to land ownership; adherence to the law of equal liberty; and voluntary association, no compulsion for the non-invasive individual — all these are tenets of Mutualism which can never be emphasized too strongly.

All things which make for the maximum of individual liberty compatible with equality of liberty are part of the Mutualist program, no matter from what quarter they are tendered.

And, per contra, anything which limits the liberty of anyone below the point needed to retain equality of liberty is a danger to the individual, and therefore to human society as a whole, and in consequence is rejected by Mutualism.

Liberty is the first need of man. For Liberty is, as Proudhon so well stated, not the daughter but the mother of order.

I
PRIVILEGE AND AUTHORITY

In the consideration of any system that may be offered for the eradication of the evils that have grown up in the social and economic life of peoples, it is necessary to consider the beginning of those evils. When men became able to accumulate a surplus — that is, when the question of property arose — then the trouble began; and it has remained with the race to the present time.

The first trouble that arose from property was the attempt of one man (or group of men) to take the product of another's labor.

Since this started, it has been going on, in varying degree, continuously. From sheer violence or stealth, to the present refined means adopted by political institutions, the element of force has always been present, either directly and boldly, or indirectly and invisibly.

From the simple effort of one individual to overcome and rob another, there soon developed the attempt of one clan, tribe, or group to conquer and subjugate another group, thus not merely taking the occasional accumulation of property of a person or persons, but also carrying off and enslaving the persons themselves. From that first primitive act of conquest and subjugation — that first act of "governing" as it is known today - came what we now call the State. And through all the ages the State has retained the same old characteristic: it started in conquest, and that characteristic still dominates; it started, by plundering, and that (compulsory taxation) continues to be one of its chief activities.

The functions of the State, then, were to overcome and subdue persons, secure and maintain dominion over territory, preserve itself against revolt from within and aggression from without, and, in short, to insure its existence. To do this effectively, it has had to rob, not only the subjugated outsider, but its own component parts — under the euphemistic name of taxation; it has had to crush, not merely the invading enemy, but likewise its own subjects, through punishment for treason, when they too strenuously differ from its policies. In other words, it has become the chief aggressor of all history.

The State is symbolic of power; over its special domain, and, as far as its individual subjects are concerned, it is the embodiment of omnipotence, and from power naturally flows privilege. If the State may take, it may give; if it may punish, it may reward; if it may be tyrannical, it may be beneficent. So, in a rough way, its actions may be compensatory. It takes from one and gives to another; it oppresses one that it may favor another. Hence, under any State, no matter what its form, there are some persons and classes who are given privileges that all are not permitted to enjoy; in fact, and in almost all cases, they are privileges to prey upon the unprivileged persons or classes.

The modern State, with a king at its head, reached its highest development in France in the reign of Louis XIV (1643-1715), when he was able to say, "I am the

State"; but in England, where the power of the king to rule over the whole country had been recognized earlier, it was first successfully challenged by the great Puritan chieftains, and Charles I lost his head (1649).

Forty years later came the great Revolution - bloodless, at that — and, with the advent of William of Orange, kingly autocracy in England was permanently curbed.

In France, where this centralization of power had come later, it lasted longer, and not until 1793 was the king of France beheaded.

The revolution which purged France did not stop with sweeping away the power of kings, but included killing and driving out the nobility, confiscating their lands and giving these lands to the farmers.

Thus, within a period of some two hundred years, political rulership, in the more advanced States of Western Europe, went from the king to the "people", and economic rulership was transferred from the lords of the land to the employers of labor in the town.

While the condition of the worker has improved, the noble dream of the eighteenth century inventors — that machinery would take up all the burdens of labor and carry them like the genii in the Oriental story - has not yet been realized.

Authority is now more responsible and responsive to the people, but the largest part of the populace is still dominated by it. With its increasing multiformity authority has become more and more extended. It is no longer a despotic king, but an even more irresponsible majority, acting through its organ, the State, that wields political power, while the landlord and the capitalist exercise economic domination far greater than the king once arrogated to himself.

The Development of "Big Business"

In the American Revolution, the kingly power was entirely thrown off and no 'nobility' ever ruled. So in the United States the capitalist has come to be the chief autocrat to reckon with.

With great natural resources and with an active and enterprising people, the growth of industry in America has gone on at a swifter rate than in the older countries, and, while all lines of business have built up large fortunes, each period in the history of the United States has marked certain kinds of business as making the super-fortunes.

In the third quarter of the nineteenth century the dry-goods king was supreme. Dry-goods merchandising was the most successful as well as the most genteel business of that period, and the Stewarts and Claflins were the rich men of that day. Then came the booms of the western mining camps, with their bonanzas of gold, silver, and, later, copper — and a new flock of millionaires sprang up.

The railroad magnate followed, but he, in turn, had to yield first place to the oil and steel businesses, with the automobile finally supplanting the reign of them all.

The dry-goods merchant was merely selling finished products, which was a simple business compared to those that followed. The transcontinental railroads were subsidized by the government, receiving money and land grants of enormous value. Their methods of discrimination between shippers and localities, their fights against rivals, their wars against unions of their employees, and finally sharp

adoption of Mutualism. There are thousands of idle men in unions, with millions of hours of service going to waste daily because of inadequate demand for them.

The giving of credit is usually thought of as the lending of something by a rich man, the creditor, to a poor man, the debtor. Who could possibly imagine the poor man to be the creditor? And yet, every workman is the creditor of his employer, for a limited weekly period at least, until he gets his pay check. Teachers and other salaried people have to work a whole month before receiving payment. During that time they are the creditors of their employers. But these are cases of enforced credit, while this inquiry is concerned with voluntary credit only.

When a workman is out of employment, which happens periodically in the building trades, his enforced idleness is a loss to himself and to the community. If the services of the idle men of the community could be exchanged, all this loss could be turned into gain. Workmen always manage somehow to live through limited periods of enforced idleness; it would not make it any harder for them if they gave service without immediate compensation in cash during such periods.

Let a theoretical case be taken by way of illustration.

Suppose Jones, who is a carpenter, wants to build a house. He has the plans, owns a lot and has fifteen hundred dollars in cash, with which to pay for his material, but no money to pay for labor. Suppose, further, that thirty of his fellow workmen, belonging to the various building trades, were idle and were willing to give him a week each of their idle time, which would be enough to build the house, and that they also were willing to wait for their compensation until they, in turn, should be in need of his help, when he should be idle. The pay to which they would be entitled would be evidenced by thirty promissory notes of (for instance) fifty dollars each, which Jones would redeem in services from time to time.

Here we have an illustration of idle man giving credit by converting their time, which would otherwise be lost, into wealth, for out of the idle time of these thirty men thirty houses could be built, each man giving one week to the construction of each house. The guaranteeing of the promissory notes could be done by the organizations to which the men belonged, or they could be secured by mortgage lien on the house. This theoretical case could be worked out in practice with very little difficulty, if these men understood what mutual credit could do for them. The moral of the story is that there is no one in the community so poor that he cannot give credit, for whoever gives goods or services to another, before receiving their equivalent in similar goods or services in return, is giving credit.

Once the Mutual Bank is operating, money will be available practically without interest to any responsible producer, so that his independence will no longer depend upon the whim of the usurer, but upon his determination and his ability in his line of work. There will be big factories and small shops, and the demand for wage labor will be greater than the supply, with the result that wages will soar until they approach the full value of the work done.

Due to the elimination of interest, rent and privileged profits, under Mutualism the cost of commodities will be much lower and money therefore will have more buying power, in addition to wages being higher.

Is this not a condition worth working for?

Once the Mutual Bank is established, Mutual exchange will permeate all society and demonstrate everywhere the benefits to be derived by adhering to the

currency steps in and saves the day.

During the panic of 1907 resort was again had to this method. There were weeks when business men saw no currency but these clearing house certificates, and, as the banks refused to pay in cash, the clearing house certificates constituted practically the entire currency except for what little cash there was still in circulation.

If a credit currency can function so well when panic and uncertainty reign, it surely can work in normal times. All it needs to be successful is fair dealing and mutual trust. With the proper supervision, the chances of unfair dealing could be reduced to a point where it would be an inexpensive matter to cover them fully by a safe insurance.

As for the farmers, they must be shown that their salvation lies, not in special privileges or state aid, but in stopping land speculation; in pooling their capital and resources for cooperative action, substituting the credit of the group for that of the individual; in furnishing this credit to themselves at cost (if necessary by circumventing the injurious banking laws), and thus creating a working capital on which there is no interest to be paid; in systematizing distribution so that all products sold will have come from the nearest feasible producing center, thus eliminating much time and expense in unnecessary hauling; in systematizing production by gathering and distributing information as to the need and desirability of certain crops, so as to avoid overproduction of some and underproduction of others and the evils accompanying such a condition; and, finally, in practicing and working for the promulgation of all other Mutualist ideas.

Myron T. Herrick, former American Ambassador to France, points the way when he says in his book, *Rural Credits*:

"The farmers of the United States do not need any special privileges or government aid. If methods were simplified and technicalities eliminated, cooperation, or organized individualism based on private initiative and mutual self-help, would eventually be applied to all their activities."

A Mutualist could not have expressed it better.

Trade associations similarly could be greatly benefited by adopting the principle of furnishing credit to themselves at cost. Mr.Hugo Bilgram of Philadelphia, in *The Cause of Business Depressions*, has made some practical suggestions as to how this could be done. The reader will also recall certain passages earlier in this chapter. The Mutual Bank idea, with its elimination of business depressions and consequent bankruptcies and failures, should readily appeal to the business man. Trade associations would find only gain in the abrogation of the patent laws. They could get out from under the heels of the financiers and monopoly holders and need no longer feel afraid to give service. Mutualism should appeal to them, too.

Organized Labor's Opportunity

As to the labor organizations, their members would benefit most by the

practices among the members of the corporations themselves, until the roads went into the hands of receivers, make a history of exploitation and banditry almost unparalleled.

The oil business used many of the tactics of the railroads in crushing rivals and favouring others by secret rebates, and resulted in the growth of the Standard Oil companies, that now control one-half the oil production of the country.

The United States Steel Corporation, formed by the combination of over two hundred different companies engaged in manufacturing steel, turns out about one-half of the nation's steel products. The Ford Motor Company furnishes about the same proportion of automobiles.

The Growth of Monopoly

This industrial structure represents a magnitude of wealth and power in this country that makes that of the old-time princes and nobles small in comparison.

It assembles a large amount of capital, it draws heavily on our natural resources, it is protected from foreign competition, and it has the exclusive use of many ideas, inventions, and processes. Simply stated, these features appear to be the stable pillars of a great civilization. Upon examination we find that within each are the sinews of a monopoly created and fostered by the State.

The first and most ruinous of these monopolies is the money monopoly, a privilege which allows the holders of the circulating medium (gold) to exact interest for its daily use.

Thousands of people are now deterred from going into business by the exorbitant rates they must pay for the necessary credit, and millions of consumers pay billions in interest added onto the prices of all the things they buy.

The land monopoly — or the enforcement by government of land titles which do not rest upon occupancy and use — maintains the usury of rent, which affects every man, woman and child in the country.

Finally, there are tariffs, patents, and copyrights - the first a monopoly which fosters production at high prices under unfavourable conditions, for which labor must eventually pay; the second a prevention of competitive enterprise in ideas and invention.

These monopolies should be particularly noted, as they will be referred to later, when the source of their power will be traced, the processes of its expansion examined, and, finally, the method of its dissolution outlined. We may here briefly examine that power as it is measured by its reward in dollars and cents in annual income in the United States.

No statistician has ever succeeded in dividing the annual income (produced wealth) of the United States between that income which results from individual effort and labor, and that which results from privilege and monopoly. The National (Bureau of Economic Research, a privately endowed organisation, and the Federal Trade Commission have compiled sufficient information to serve as a basis for an estimate. The report of the latter, National Wealth and Income, Washington, 1926 (page 199), separates the distribution of income into four divisions:

Wages and Salaries	50 %
Profits of Business	20 %
Capital Gain, sale of real estate, securities, assets, etc.	4 %
Rents, Royalties, Interest and Dividends	26 %

These are the averages of the percentages shown for the years 1918-1923.

The item, Profits of Business, includes that profit which comes from enterprise and efficiency in the management of business as well as that which results from the legal privileges and monopolies that individual business firms enjoy. We may call the first the Profit of Enterprise, and the second the Profit of Privilege, i. e. — the profits resulting from tariffs, franchises, and other special privileges. The amount of these two kinds of profit is not estimated by either of the organisations mentioned, but there are other data available through which we can make an approximate separation.

If we examine the tariff schedules in effect and those that have been in effect for the last fifty years, we observe that on the whole the tariff surcharge included in the price of consumers' goods has averaged about one-third of the total price. It seems safe to estimate that at least one-third of this, or 11 percent of the total price of goods manufactured and sold in the United States, is charged as a profit on the tariff privilege.

The schedules filed with the various public utility commissions; notably Illinois, Virginia, and New York, indicate that from one-eighth to one-tenth of the total rates paid for public utilities is paid as a charge for the "good will" and privilege that results from franchises.

The same thing is true in transportation rates, as shown in schedules filed by the railroads with the Inter-State Commerce Commission and approved by it.

Thus it appears that we shall be very conservative if we estimate that there is a 10 per cent profit on the gross income from operations of manufacture, trade and transportation, and the public utilities that may be classified under the heading of privileged profit.

The gross income for all industries is given in the Trade Commission Report, National Wealth and Income (page 217), only for the year 1922, but figures given there are in other respects not very different from the six years averages we are considering.

While there is also profit of legal privilege in agriculture, construction, mining, and other industries, we omit them so that our calculation may be perfectly safe. The gross income from operations of manufacture, trade and the transportation - public utilities group in 1922 was 90 billion dollars. Ten per cent of this amount is 9 billion — the annual "Profit of Privilege" in the United States. Nine billion is more than 14 per cent of the total national income for 1922. This, when subtracted from the 20 per cent designated by the Commission as "Business Profits" leaves 6 per cent as the "Profit of Enterprise".

The division of "Profits" calculated above is made in the following table, but

together faithfully to achieve that result.

What is likely to take place is as follows: One percent of a city of a million is ten thousand. If these ten thousand men all had their accounts at the same bank, and the officers of the bank understood Mutualistic finance, credit could be extended to these depositors under the present system, and no government currency would be needed at all. These Mutualists would pledge one another, when credit was given to any one of them at the bank, to draw upon that credit by check only. The Mutualist receiving this check would not ask for cash, but would deposit the check to his own account and also draw upon his account by check. None of these people would ever draw money, and in all dealings with one another they would dispense with cash altogether. This need work no hardship upon any of them, as ninety-nine per cent of all payments, including all of the wholesale and most of all the retail transactions of businessmen, are now made by check anyway. Cash is needed only for "till" money of the retail merchant and for other similar, incidental purposes. Most large firms are now paying their workers by check, and, among the better paid workers, there are many who have checking accounts at the banks. As soon as this number increases to a sufficient extent, cash will become practically unnecessary.

A method like the above, if adopted, would bring the Mutualists together to deal more and more with one another. The uniting of this group for the purpose of fair dealing would immediately give every member ten thousand potential customers. Business or professional men spend a lifetime in acquiring such a clientele, and no intelligent and successful man lets anything happen which will cause him to lose a single customer or client. The very fact that he can be trusted is his greatest asset. If any member of this group cannot be so trusted, it means that he cannot appreciate equitable dealings and cannot work on a basis of mutuality. The group would then reject him and he would be thrown back into the civilized cannibalism to which he had been accustomed and from which he really had no desire to escape.

The transacting of business with one another by check necessitates that Mutualists be acquainted with one another and deal with one another, to the gradual exclusion of the non-mutualistic public. The latter would soon see the advantages derived by Mutualists from this arrangement and would not be slow to follow their example.

If a system of doing away with cash should strike the reader as rather fanciful, his attention is directed to the ways of doing business which are adopted when money fails or banks suspend. It might be imagined that the trial of new financial plans would be difficult in times of money panic and uncertainty, when confidence is gone. But, strangely enough, these are the very times when new methods of finance are tried out and found to work well. Attention has already been called to the Rentenmark in Germany, after the inflation of 1922.

When the panic of 1893 was in full swing in the United States, many banks suspended, bankruptcies and foreclosures multiplied, and ruin seemed general. The solvent banks could not meet all the calls on them for cash, so the clearing houses issued certificates to circulate instead of money — a clear violation of the federal law, but wholly ignored by the authorities. The issuance of such a credit currency in the first place would have made the panics impossible. But the financiers will not issue it until the panic has come and everything is falling to pieces. Then the credit

Everyone is familiar with the reluctance with which the average citizen faces the tax collector. Tax dodging, wherever possible, is practiced by high and low, rich and poor, pious and impious, without distinction, And, in all cases, without the slightest compunction. Since this habit is indulged in by persons who give no other evidence of dishonesty, it may be believed that the motive is not to shirk a just obligation, but that there is an almost universal feeling that no equivalent ever is received for money thus taken.

This skepticism is due to the common knowledge that the politicians who administer the government are rarely capable business man, are primarily influenced, in the expenditure of the taxpayers' money, by political considerations or motives of self-aggrandizement, and have every other temptation to become prodigal in dispensing funds the provision of which is not due to their own industry.

Even the most uninformed citizen is aware that all government undertakings are incompetently conducted, that the taxpayers' money is wasted right and left, that there are hordes of grafters in all such operations, who must be taken care of, and that favoritism, at the expense of efficiency, is everywhere the rule rather than the exception.

On the other hand, all experienced business men know that no private enterprise could ever, be successfully conducted by the methods pursued by political management and control, and that, were not the supply of funds for covering government deficits inexhaustible by reason of the power of compulsory taxation, every government project would be bankrupt today.

Small wonder, then, that the harassed and beleaguered taxpayer turns eagerly and naturally to the only mitigation of his distress, which is to evade payment of his taxes wherever possible. The poll tax, the harshest form of taxation ever conceived, has now been abandoned in many states, for it was discovered that more and more citizens were evading it by the simple expedient of failing to register and vote, since the registration lists were the means relied upon by the assessor for locating the person who had no assessable property. Expediency, that ever-faithful friend of evolution and progress, has again pointed to a logical and serviceable form of passive resistance.

Therefore, by withdrawing support from the State, where it may be done with impunity, and by ignoring it wherever possible, and where its hand bears most heavily upon the non-invasive citizen, the rigors of governmental interference with individual liberty and with the practice of the principles of Mutualism may be modified by creating a vacuum around the arch aggressor.

Voluntary Association

If today a small proportion of our population - say, a number equal to one person in every hundred -were to become Mutualists, a great deal could be accomplished without delay. One per cent of the men in a city, believing in Mutualism, could put it into practice in its most important application. Moreover, when they have come to realize that, by exchanging all their products and services at cost, they can double or treble their several incomes, they will be willing to work

all other figures in this table are taken directly from the Federal Trade Commission report (page 199).

National Income for United States (average 1918-1923) : $ 64,000,000,000

Distribution of income	%	Billions of $
Wages and Salaries	32.0	32,0
Profits of enterprise	3.6	3,6
Profits (of privilege)	9.0	9,0
Capital Gain, sale of assets, real estate, etc.	2.6	2,6
Rents, Royalties, Interest, Dividends	16.6	16,6
Total	100	64,0

(Hereafter in this book the term "profit" refers only to the "profits of privilege", and does not include any reward which goes to enterprise, to managerial ability, and to labor).

The items in the table above the thin line represent income that results from individual effort or labor. Every one of the items below the thin line represents income that results from legal privilege and monopoly. If we sum up the two sections of the table, we get the following result:

Distribution of income	%	Billions of $
Income of effort and labor	56	35,8
Income of privilege	44	28,2

The story is not quite complete. A charge, for taxes is made against the whole of this income. The total amount of government expense in the United States annually is well above 11 billion dollars, or between 8 and 10 per cent of the national income. Since the larger part of all taxes are finally paid by wage and salary earners as consumers, we can say with the utmost conservatism that 10 per cent of the annual income is taken from the income of effort and labor for support of non-productive activity of government. In other words, the income share of effort and labor is not even the generous 56 per cent which was just shown; the governmental tax burden brings it down to 46 per cent of the national income.

Our estimates have been conservative. Our figures are fair. They come from the best governmental and private sources. And the result is that we see that half of the annual income of the United States is paid as a tribute to privilege or as a tax for non-productive government. If the men and women engaged in productive effort in the United States received the full product of their labor, they would have every year just about twice their present income. There might still be inequality, but there would be plenty. And with the monopolies destroyed, such inequality would tend to

disappear.

The State as Oppressor

As has been seen in tracing its origin, the State arose as an act aggression. Its main function was to conquer its enemies, protect itself from their attacks, and maintain itself. That it might be of service in protecting its subjects individually was a secondary and later consideration. Yet it is true, at the present time, that this latter function is ostensibly the one on which its reason for being largely rests, and which cloaks its character as a despoiler and oppressor with some respectability.

It functions through what have come to be known as laws, and these, as is now patent to everybody, are the sources of the iniquity of the State, because their main purpose has come to be the denial of individual and associative liberty. Government has come to be — in fact, there always has been inherent in it — the institution of the greatest and most devastating form of privilege. It is the source of most of the inequalities of opportunity that now exist between man and man. Without it, none of these could exist.

Hence, intelligent people, who have given the matter thought, see that the way of relief is to limit the powers of the State. It should be shorn of its power for harm; but, so long as it exists in its present form, no matter how limited it be, it will still have the power for evil.

Whenever any proposal is made for such limitation, there is always the objection that the protective function of the State will be decreased, to the grave danger of the individual; the criminal is at once held up as the great menace from which nothing but government can protect the people.

This, Mutualists insistently contend, is a delusion. If the invasive activities of government were absolutely eradicated, it could still act as the protector of the individuals who compose it, or over whom it has jurisdiction. Yet, if it had no invasive powers at all, it could not forcibly provide for its own maintenance. It would therefore become a purely voluntary association, and would have to depend for its existence upon the satisfaction it gave in the service it rendered.

Nefarious Features of Present System

Government, or authoritarian society, may have been suited to conditions where universal warfare was the chief occupation.

And the trouble is that government, the State (from the Latin word status-what stays fixed), is, or at least tries to be, precisely what its name implies: stationary, unchangeable, inflexible.

It represents the static rather than the dynamic forces in social life, it insists on the status quo, it abhors change, and rests utterly on precedent and tradition.

Industry and commerce, on the other hand, are the dynamic forces in society, developing and constantly changing with astonishing rapidity. From the inability of the State to keep step with the growth and change of Industrial conditions, from its persistence in outgrown semi-military political technique in the face of growing

threats of violence in any form, such as forcibly preventing the workman who refuses to strike or the strike-breaker from entering the "struck" plant, or doing him bodily harm for declining to be persuaded, it is not passive resistance and is a violation of the principle of equal liberty; and Mutualism clearly and sharply draws that distinction.

Mutualists, however, lend no ear to those court decisions, and to the contentions of employers generally, that the so-called "sympathetic" strike is an infringement of the principle herein postulated — always provided that there exists no contract which such strike may violate.

Striking work is so clearly the mere exercise of an undisputed right to refrain from an act that, no matter how far removed from the primary motivation of such cessation of work, no refusal to continue un-contracted labor can by any stretch of the imagination be construed as a denial of anyone's liberty. To pretend the contrary is to countenance human slavery — no more, no less.

As an instance of how passive resistance has brought about the repeal of an unpopular law, it is pertinent to cite the case of the poll tax. The evasions of the payment of this tax, and the various obstacles thrown in the way of its collection, have made it decidedly difficult to enforce the law — so much so, in fact, that it has been repealed in most, if not all, of the states. This is an example of the successful operation of passive resistance.

After all efforts to secure the repeal of laws have accomplished their utmost, after ignoration, evasion and violation of especially abominable ones, together with the exercise of passive resistance to its fullest extent, have brought about the greatest consequences, there still remain other means of securing the nullification of such legislation as shall not already have succumbed.

This may be done by discrediting, in various possible ways, any particular law. The courts themselves are unwittingly doing much to aid this work. Some glaring illustrations can be seen in the various legal decisions against so-called conspiracy. Courts have frequently held that many acts, when performed by individuals alone, may be perfectly lawful, but, when performed by two or more persons, become a "conspiracy," and all conspiracies are adjudged to be unlawful.

For judges to contend that the mere number of persons engaged in an enterprise controls the character of it is to render law ridiculous, since it is only necessary to pursue their reasoning to its logical extremity to show its fallacy — or, perhaps, only the judge's bias. No court would think of deciding that, although one man may innocently worship God in the privacy of his own home, the moment he goes to church and joins with others in that gesture he becomes a conspirator and should be dragged off to jail. Yet a perfect analogy to that case is the one in which one workman may cease work and go home and his rectitude be unchallenged, whereas, if he should, in company with other workmen, hire a hall and discuss the matter, he would then be engaged in a conspiracy and should be amenable to punishment. Such is the bewildering inconsistency of the judicial mind !

Let the courts sufficiently multiply such absurdities and law will become a joke.

Tendency to Evade Taxes

punishable offense; but when a sufficiently large number of persons persistently refuse so to act, constituted authority is helpless, and in the end, if the procedure is carried to its limits, must succumb. The force that can be brought to bear by a large number of passive resisters is practically irresistible, and that force has the added advantage of being non-invasive.

For instance, since Mutualism holds, that no title to land except actual occupancy and use should be recognized, if a certain number of homeless and starving people should, in accordance with Mutualist principles, squat upon a tract of vacant land being held and not used by some absentee owner — such as a great railroad company, for instance — and should return to the land as fast and as often as they were evicted by the sheriff, that would be a perfect example of passive resistance, provided they suffered themselves to be removed from the land each time without physical opposition. The effect of this would be to baffle and harass invasive authority, just as the non-rent-paying tactics of the Land League in Ireland in the last century baffled and harassed the British government up to the time that the tenants were betrayed by their leaders and ordered to submit.

If no other end be immediately gained, such methods always bring the invading forces into disrepute and place them in the position of being oppressors of helpless persons. In short, that traditional and universal policy of aggression would be stripped of its glittering trappings of glory and put in its true light of unconscionable roguery.

But passive resistance must not be confused with non-resistance. It is, moreover, quite easy to differentiate between the two. Non-resistance is precisely what its etymology implies - no resistance. Passive resistance, on the other hand, is most emphatically resistance, but it is not resistance by overt acts. It is negative. It is abstention, non-participation, and those who employ it do not do things, but refrain from doing things. There is, moreover, another difference between passive resistance and non-resistance. The former is considered, by those who advocate it, a matter of expediency; and they believe that it is the most efficacious of all methods. Non-resistance, on the other hand, is commonly regarded, by those who adhere to it, as a fetish, or something that is worshiped as a universal panacea for all forms of aggression; and, as such, it will be found to be advocated largely by those who view it from a religious angle.

To resist passively is to place the burden of action and aggression upon the enforcers or the upholders of the things resisted. Such resistance may take the form of refusing to obey any sort of mandate, especially when the obedience would involve action, and it may be carried, of course, to the extent of the resister's willingness to suffer the consequences, bearing in mind that such penalty is not ordinarily so great as for performing a forbidden act

Strikes, in their simple form, are a true type of passive resistance. It is not yet a crime — in time of peace — to stop work; but those who exploit labor are bending every effort to have it legally so made, and some of the people's "representatives" in Congress and in the various legislatures are constantly trying to secure the enactment of such laws. Picketing — meaning verbal attempts to persuade workmen to join in a strike and to dissuade other workmen from taking the places of strikers — is a logical extension of passive resistance, and is in no sense a violation of the principle of equal liberty. When picketing is accompanied by violence or

extension of voluntary and contractual relations in the industrial and commercial life of the people and from its use of political and military power in dispensing and upholding privileges to people of certain property, business or ideas; in short, from the atavism of the State has resulted the muddle of what is usually called "the present system."

Condensed and catalogued, the nefarious features of the present system are:

1. It interferes with personal liberty, preventing the non-invasive individual from living his life as he sees fit.
2. It interferes with the freedom of economic life through the monopolies mentioned above, resulting in the two cardinal defects of present economic life: exploitation of the workers, and artificial restriction of production

The latter defect is often forgotten, but it is really more disastrous to the workers than exploitation. It is shown in the constant presence of involuntary idleness (unemployment), strikes and lockouts, lack of mobile and cheap credit, and a growing horde of non-producing parasites and their servants.

It is true that, compared with medieval times, present civilization offers, on the whole, greater freedom in private relations. Slavery and serfdom have gone with feudalism.

In religion, art and science, liberty has increased. Free speech and the right to criticize political institutions exist, at least in principle. Civil rights have been extended, Compared with the workers of 100 years ago, the producers of today do have more leisure, they do work shorter hours, their standards of living are better. Whatever progress has been made in economic life — development of technical science, intensified division of labor, worldwide distribution of commodities, and immensely increased production — is all seen to be, in the final analysis, the result of the gradual liberation of man from the fetters of static institutions. Every step of progress meant a law broken and a rule disobeyed. As man made himself more free, in using his productive powers, from the laws and binding restrictions, of authority, representing superstition, tradition, and privilege, to that degree did he prosper and succeed economically. And the cause of the present iniquity is not too much liberty, but incomplete liberty; the lack of equal liberty in economic life.

Governments delegate utilization of credit, access to natural resources, use of patents, and other privileges to some, while denying the same liberty to others. Abolition of privilege would be equivalent to equal liberty and would eventually eliminate, exploitation.

In spite of the obvious fact that state-created monopolies are still strongly entrenched, it is also true that voluntary and contractual relations have, in many ways, supplanted authoritarian regulation by the feudal lord and his successor, constitutional authority. Wherever there has been an extension of economic freedom - i.e., the right of private contract - the power of authority and of its, beneficiaries has been correspondingly limited. And this is really the sum and substance of history; the growing limitation of authority and the increase of voluntary organization of social life; substitution of contract for status. A clear realization of this process will show the logical way of progress. Disaster has always been

predicted of any proposed curtailment of authority; in reality, improved conditions and prosperity always have resulted. So no fear need be entertained that society will go to destruction if invasive institutions are more and more curbed.

However, let no one think for a moment that the present system is tottering. The social reformer who thinks "Capitalism" is going to fall soon is cruelly misled. Capitalism in modern industrial countries is strongly entrenched.

It is a going concern; going badly, it is true, but going never the less. On the whole, it is probably better than anything experienced heretofore. But it is changeable and actually changing all the time. Slowly, almost imperceptibly, with some temporary reverses, the continuous onslaught of proud manhood and womanhood against vested authority and feudal privilege is wearing away the prerogatives and shams of the colossus called the "State", and of its supporters and beneficiaries, the industrial and financial Lords.

from the jurisdiction of one set of regulations into that of another. He literally does not know "where to turn."

Many of the less important laws are openly and guilelessly ignored or violated every day, to say nothing of the constant and consistent evasion of taxes by rich and poor, pious and pagan, without the least sense of wrong-doing; but the citation of the foregoing is sufficient to point the way to the ultimate refusal of everyone to support or recognize any authority which denies equality of liberty or which fails to give an equivalent in services for every cent demanded for them. Mutualism emphasizes the fact that its principles are founded on the "law of pure equity", and it should be noted that all those laws whose violation, evasion, or ignoration have been cited are themselves denials of pure equity and of individual initiative, free contract, and voluntary association, upon which Mutualism is founded.

Passive Resistance

Until a majority of the people can be brought to see the need for the legislative repeal of certain laws, passive resistance suggests itself as the best means for securing relief from the oppression of such statutes. This is a method that seems to occur most readily to the average American, for he is always eager to ignore and evade any law that is not supported by a preponderance of public opinion. He has no great reverence for law as such, and he is encouraged in that disregard of laws and regulations when he observes the impunity with which they are, in many conspicuous instances, violated and flouted. He sees, furthermore, that a great deal of sumptuary and otherwise obnoxious legislation receives only hypocritical support from many who were instrumental in securing its enactment, and this decidedly lessens his respect for it. The way is therefore open for making a law so unpopular that the community will not consent to its enforcement. When, as recently occurred, a great state voted in a referendum by a majority of three to one to demand of the federal government the right to practically nullify, within its own borders, an important Act of Congress, with what success can the continued attempt to enforce that enactment in that state be made? To all intents and purposes the Volstead law is a dead letter in the state of New York, and there is no likelihood of its resurrection. The enforcement officers must make some sort of attempt to punish violators of the law, but they will find it difficult to secure convictions before juries. Other laws can be made as odious as that one, and when that happens it makes little difference whether the formality of repeal has been gone through or not.

It is, of course, obvious that true passive resistance means abstinence, rather than action. Therefore it is always more difficult for governments to punish a person for *refraining* from doing than for *doing*. The person who refuses to obey when commanded to act is less likely to land in jail than the one who ventures into forbidden places. Likewise he who talks too much is more likely to get into trouble with the police than he who keeps his mouth shut. It is difficult for the ardent official meddler to trump up a charge against a person who utterly refuses to do anything.

That, briefly, is the essence of passive resistance — to do nothing. To refuse to participate in any of the invasive acts of government may at times be construed as a

a non-invasive act unlawful when public sentiment is not clearly in favour of the law, and it shows how the people can ignore and nullify an invasive law when a sufficiently large number of them do not approve it. When the people finally realize that prohibition has bred much more corruption than the saloon ever did, the Eighteenth Amendment will be repealed or become a dead letter, because it is practically unenforceable.

Another conspicuous example of what changing public sentiment can do toward nullifying a law by evasion is that of the marriage law. During the last few decades public sentiment concerning the conjugal relations of men and women has undergone a significant change. In fact, many of the regulations imposed by church and State have become utterly obsolete, and scarcely anyone thinks of conforming to all of them. In the process of evolution human experience has discovered that the conventions of yesteryear are, in many ways, unsuited to present conditions, and, since there is still sufficient public sentiment to prevent the abrogation or alteration of the laws to any great extent, there is nothing left to be done, by those who find conformity intolerable, but to ignore, evade and even violate the oppressive injunctions. Many persons never take the trouble to comply with any of the law's requirements concerning their conjugal relations, because they find its mandates too onerous. The development of the conception of freedom along these lines has been so great in recent years that, to a great number of persons, who cannot even be designated as advanced thinkers, the marriage laws, in many of their provisions, have become grossly violative of personal liberty, and constitute a meddling by the State in what most persons now consider a purely private and essentially mutualistic arrangement between two individuals.

While few changes in the statutes of the various states regarding marriage and divorce have been made in the last fifty years, the manner in which the law has been construed and applied by the courts shows that a veritable revolution is taking place. A few years ago, divorce proceedings were lengthy and before a jury, and the judge commonly felt it his duty to prevent a separation. In the progressive states, all this is now changed, and, where no defendant appears, the trial is before the judge alone. If no legally recognized grounds for the divorce exist, the plaintiff magnifies the charges of "cruelty," "desertion," "non-support" etc., and the judge grants the decree, the whole trial taking but a few minutes. The granting of alimony to women is becoming less frequent, particularly in cases where there are no children and where the woman is capable of self-support and there is no necessity for it. Here may be seen the wearing away of the old traditions even, without the conservative and orthodox realizing the changes that are continually taking place in all institutions.

The traffic laws are another group that embodies, along with many wise and useful regulations, many stupid and intolerably harmful rules that everybody violates when out of the sight of the traffic officer. And such violation is the strongest evidence of good citizenship, except that it leads the unthinking and the unscrupulous to violate likewise the regulations that all admit are for the safety and convenience of everybody. The huge number of regulations, by their very mass, puzzle the citizen, who can no longer discriminate between the useful ones and the senseless ones. Thus it is that the number and complexity of the traffic laws make it difficult for the driver of a machine to know what to do, especially when he passes

II
PROPOSED BUT INADEQUATE REMEDIES

A GREAT many schemes have been promulgated in the course of time, to remedy the obvious defects which resulted from the inadequacy of state political institutions to cope with the new economic situations. In discussing these schemes in detail, they should be subjected to two inquiries, to which the system set forth in this volume has also been exhaustively submitted. These are:

1. Will it give freedom from oppression ? Will it permit each man to live his own life as he sees fit?
2. Will it obtain for the worker the full product of his labor ? And will it abolish involuntary idleness and stimulate production?

The best that men can expect are such social relations as will make it possible for human beings to be happy, and will deprive no one of the means to secure happiness. This will have been accomplished when both of the above questions can be answered in the affirmative; and it will represent the utmost that may be done. Any further step towards trying to make people happy will defeat its own purpose.

Among the ideas set forth to effect a cure of present evils, two main groups may be distinguished: those that propose a complete change and an entirely new order of things, and those that propose minor changes, half-way measures, and compromises, such as Municipal Ownership, the Single Tax, etc.

Socialism

The best known of the radical movements for a different social order is Socialism. There are a number of schools of this movement, differing on minor points of doctrine and tactics. But they all agree on the proposition that all capital and all land should be owned and managed collectively by the whole people.

Would Socialism give larger individual freedom?

There are many Socialists who claim that this is indeed one of the purposes of Socialism. Yet there is the famous pronouncement of one of its high priests - Lenin - that "liberty is merely a bourgeois conception."

It is noteworthy that the great Italian dictator, Mussolini, holds the same view!

The amount of control and regimentation that would be necessary to make the Socialist plan work would leave very little personal liberty to the individual.

Indeed, by a queer quirk of thinking, most Socialists would, on general principles, subordinate the individual to the State. Socialism rests admittedly on compulsion; but it would be a compulsion so far-reaching that if it could ever be made to work, personal initiative would be eliminated. It is true that this is an ideal

which appeals to many persons. There are some who are temperamentally fearful of having to look out for themselves. A life of freedom, with its resulting responsibility, does not appeal to the timid.

Under present conditions, there are not opportunities for everyone, there are not enough jobs to go around and, even if all were equally capable, a certain portion of the population would not have work. But, as there are different degrees of capacity, the poorer jobs go to those of the least merit, and the least skilled workman is the first one to be laid off. To such people, a plan where all would be employed by a benevolent State at good pay and with all wages equalized is a pleasant prospect. To have access to a common warehouse, and the right to take away everything needed out of the common-stock, irrespective of whether one had a job and worked or not, is a beautiful dream.

There are now in this country thousands of industries and farms employing millions of men, working with billions of capital, and there is an almost infinite number of activities carried on in the production and exchange of goods and services. But, if now there is a sad lack of personal liberty, what would not be the case if this whole complex, self-functioning economic life were run by the government, or some such agency, as the sole landlord, owner of all the means of production and thereby the sole employer!

Summing up the question of personal liberty under Socialism, it is found that the compulsory collectiveness of Socialism is destructive of the personal liberty of individuals to do what they please, even though their actions may be perfectly non-aggressive of other people's rights.

While in capitalist countries the right of the majority to coerce the minority is becoming more and more questioned as a matter of expedience, Socialism in practice would of necessity abrogate even the most elementary civil rights - those of free speech, free press, free assembly, right to trial by jury, the right to work or not to work. Even if Socialism could actually fulfill all its claims to economic emancipation - the abolition of exploitation - it would still find the opposition of millions of men who will not allow themselves to become enslaved in order to be guaranteed a full stomach.

Will Socialism obtain for the worker the full product of his labor?

In its pure form, if this were possible, it most certainly would abolish private exploitation.

If *all* the means of production and all-land were in the hands of the government, it is obvious that no individual could exploit another, since the State would be the only employer and exploiter. But there would be two other forms of exploitation by the government. The first would take the form of requisitioning from him who produces more than others. Just as in the "communistic" schools of today, in the public school system, there is the tendency to level down, so would the tendency of the socialist commonwealth be to level down. The leveling of results is the socialist ideal - and practice. It is of no avail for some socialists to claim that this would not be done. It has been done and it will be done again. It is inevitable.

It makes no difference what form of government is cited, it can exist only by taking something away from the people through the use of force. Taxation is a form of robbery or exploitation, even though some service may be given in return.

But, in addition to that, Socialism presents another field for exploitation of the

The beginning should be made with economic functions - those dealing with production, distribution and finance - many of which governments have arrogated to themselves. Then education would come, and would be followed finally by those activities which are concerned with the protection of life and property.

With each step taken, all the entrenchments of privilege and power gradually will give way, as business methods and intelligent self-interest become the guides instead of the inefficient and cumbersome systems followed by the State, loaded down, as it is, with its multiplicity of operations, and endowed, naturally, with so little capacity for change or improvement.

Thus government will be almost imperceptibly superseded by the simple, mobile associations that will be as highly specialized as circumstances may require.

While the reader may be willing to grant the feasibility of voluntary associations assuming those commercial and industrial activities which the government now is supposed to perform, making laws, administering justice, conducting courts and hiring policemen may seem to be so essentially public functions that he finds it hard to think of these functions delegated to private associations. But a few illustrations will show how they can be better administered in this way.

A stock exchange, with its by-laws and rules, can discipline its members more quickly and effectively than it could do it through a lawsuit. Its decisions are more respected and more feared than are those of the courts. They are shorn of the technicalities, quibbles and delays with which our court procedure is filled. If business associations and business people generally were to adopt voluntary arbitration of disputes, the number of lawsuits would rapidly diminish.

The matter of protecting property under present conditions is one for which there exist federal, state, country, and municipal governments, and yet a citizen, to get actual protection, must and does employ a private watchman; and on this last and cheapest agency of protection, outside of all organized authority, he places his greatest reliance, the others having all failed to protect him, even though he has been taxed exorbitantly for their support.

Ignoration of Laws

In the law prohibiting the manufacture and sale of intoxicating liquors, this country has the most drastic exhibition of the misuse of political power that modern history records. That abuse of power is unconditionally upheld and approved by only a minority, though decidedly a fanatical and militant group, of the people. Therefore the majority, either covertly and timidly, or openly and brazenly, according to circumstances, violate the law in every particular every day of the year. And, knowing that in so doing they injure no one, they have no conscientious scruples about it.

Before prohibition came in, the open saloon, with its effect on politics, was said to be the great evil. It was determined that the liquor interests must be outlawed; but outlawing the open saloon has outlawed the greater part of the community, and the bootlegger is more in evidence and is a more powerful influence in politics than the saloonkeeper ever was. This is all the result of making

more and ever more legislation. When a law fails to do its work it is forgotten, and not until its positive results become intolerable evils is there any pressure brought to bear on legislators for its direct and unconditional repeal.

Another element that tends to make repeal difficult is the fact that most laws create a number of offices for the purpose of administration and enforcement, and these offices are filled by the henchmen of the legislators and other politicians. If these offices are abolished by the repeal of the laws, the officials holding them will lose their positions, and the bosses whom they serve will be forced to provide other situations for them. This is not easy for them to do, and therefore the bosses will be extremely reluctant to impose that burden on themselves. In other words, that is one of the main reasons why they are so cold toward any proposition for repeal. And modern politics offers no solution for that problem. To go into productive labor in order to earn an honest living is not to the taste of that class of persons.

Still another formidable force ever present to obstruct any attempt to repeal undesirable laws lies in the fact that the office holders now number about one in every ten of the population of this country. They are engaged in the administration and enforcement of the various laws, and the fear of the loss of their jobs lines them up solidly against repeal.

In the mind of the superficial thinker, even though he may be imbued with a desire to halt the ravages of privilege and monopoly, there seems to lurk the idea that humanity can be made "good" by law. To him, there must be a statutory remedy for every social ill. The Mutualist, on the other hand, knows that people are never made better by law — that, in fact, law even tends to retard the development of the higher social instincts in the individual. Mutualism proclaims the already demonstrated fact that liberty, coupled, as it must be, with responsibility, is the real creator of character and the developer of initiative, of self-reliance, of honesty, of probity, and of consideration of others, since the free man must carve his own career, and he must realize that all his acts must be performed *at his own cost*.

Thus the political slogan of the Mutualists may be said to be:

Opposition to new laws and the abrogation of old ones.

Their task is to spread the gospel of enlightened laissez faire, following the principle that it is of more importance to refrain from action, when in such action there lies the element of invasiveness, than it is to act, even though the act may seem to be a beneficent one, or performed with benevolent intentions.

If, therefore, a stop may be put to the grinding out of more laws, and if the ones now on the statute books may be gradually abolished (beginning with the most pernicious ones), in this way paving the way for the eventual elimination of all useless laws, Mutualism will have been able to demonstrate that even the useful activities now imperfectly performed by the State, including the protection of life and property, can in time be much better performed, by voluntary association and mutual effort.

Mutualists, therefore, advocate the forming of voluntary associations which can demonstrate in actual practice that the various services and functions performed by governments can be furnished and discharged better and cheaper by such associations.

people through government. The main claim for government enterprise is that it operates without a profit. What of that ? It may still be more expensive in operation, even if there is no profit. Private enterprise, conducted for profit, can pay rent for land and interest for money to obtain the capital needed for a concern, pay a profit, and still successfully compete with the State industry, since production without profit by the State is so much more expensive than production with profit by private enterprise. The reason is that the cost of corruption, inefficiency and mismanagement of the State is greater than the *profits* of private enterprise.

When a single government industry is conducted at a loss, the deficit is made up by taxing private Industry. Under pure Socialism, there would be no private industry to tax, and what would be the result? The experience of Russia speaks in no uncertain language. If it had not been for private enterprise by the peasants, there would have been general bankruptcy and continuous famine. The confiscation of industry, by the Soviets was absolutely ruinous to those industries.

What Has Happened in Russia

A taste of what would be in store, was and is given in the Russian experiment. And that taste is mild compared with what the actual reality of complete Socialism would be; for it must be remembered that pure Communism has always been a rarity even in Bolshevik Russia. Although the Russian Socialists have been hampered in their efforts, it is permissible to draw upon their experiences in the attempt to introduce Socialism. Actual occurrences are much better testimony than all predictions. And, since, there is now available a large mass of undeniable facts, it is much easier and safer than heretofore to show what has actually worked out of Socialist theories. All statements adduced here are from Bolshevik sources.

What about personal liberty in Russia?

The Communists, who are the real government in Russia, number about one-half of one percent of the population. No mention is made in the Russian Constitution of the all-powerful Central Executive Committee of the Communist Party. It numbers fifty-two people and chooses from among its members the Political Bureau, that group of nine who are the real rulers of Russia. All the exciting shifting around of the big Commissars' jobs in Soviet Russia in 1925 and 1926 (to mention only Trotsky, Kamenev, Zinoviev, Sokolnikov) was done by this non-constitutional body, *not* by the Soviet Congress. As all the well-informed Communists frankly and cynically admit, this dictatorial clique controls the appointment of all the important officials, who call themselves the Representatives of the people. There is not a dictatorship *of* the proletariat in Russia, but *for* the proletariat, as Isaac Don Levine stated in the New York *Globe*, January 5, 1920.

Civic rights still are based in some respects on the acceptance of certain beliefs. The right to strike in the nationalized factories was denied and the practice made an act of treason, and in many cases suppressed by machine guns. (*Krasnaya Gazeta*, March 6, 1919, about strikes in Petrograd; *Pravda* of March 23, 1919, about strikes at Putilov Works; etc.). Free speech and free press, the liberty of discussion and criticism of government, were denied.

This brings to mind Thomas Jefferson's dictum that

"truth can stand by itself; only governments need the support of authority."

In addition to forcible conscription, which was resisted by the peasants with determination, the Bolsheviks actually started to introduce involuntary servitude, (See Trotsky's *Order to the First Labor Army*, published in *Krasnaya Gazeta*, January 18, 1920. Also report in Moscow I*zvestia*, May 28, 1920, Leo Pasvolsky, *Economics of Communism*, p. 189 ff.). It is true that they did not get very far, but that was not due to their consideration of the intended victims, but to the resistance they encountered.

Article I of the Code of Labor Laws of 1919 stated:

"All citizens shall be subject to compulsory labor."

There are some Socialists who do not agree with this? The trouble with them is that they are not logical enough, for compulsory servitude is the logical outcome of Socialism, and one must give the Bolsheviks credit for their heroic attempt to be logical and true to the premises on which Socialism is based.

The people found out soon enough that the Blue gendarmes of the Czarist days, with special powers and privileges, were not gone, but were merely replaced by Red gendarmes, called the Red Guard, also enjoying special powers and privileges. They were needed to rob the peasants of their products without equitable recompense, to give striking workers a taste of lead, to brutally suppress demonstrations, such as the one for a Constituent Assembly on January 18, 1918. But that was mere child's play compared with the work of the secret police organized in the Cheka, a typical Czarist institution, but in this case clothed with powers such as had not been seen since the Middle Ages. In two years there were, in Moscow and Petrograd alone, 9,641 executions, according to Bolshevik statements (Report of All-Russian Extraordinary Commission in February, 1920); how many more that were not reported, it is impossible to tell. Relatives were kept as hostages for deserters from the army (*Krasnaya Gazeta*, November 4, 1919; also Trotzky's "famous" Decree No. 903, in *Izvestia*, September 18, 1918). Houses were searched, people arrested and executed without trials, the only requirement being that the fact be reported afterwards.

After the attack on Lenin, there was released and fostered such bloodthirstiness that real St. Bartholomew's Nights against the bourgeoisie were very common. Gorky's paper, *Nevaya Zhizn*, No. 5, and previous numbers contain accounts. This paper expressed the horror felt by the better element, and was severely censured by the Bolsheviks for its humanity. When Uritzka, the sadistic hunch-back leader of the Cheka, was killed; "Death to all bourgeois!" was the frenzied cry. (Order of Petrovsky, Commissar of Interior, September 2, 1918. Also article in *Krasnaya Gazeta*.) The expressed sentiment of the leaders was, that if there were one guilty person in one hundred executed, their deaths would be justified. (Answer of *Izvestia* to the protests of some Bolsheviki against the outrage of permitting the Extraordinary Commission to execute people without proof of their guilt). Lenin complained that the rule had been too mild, frequently resembling jam rather than iron. No wonder freedom-loving people everywhere decided that life under

occupying landownership, the public service corporations, for instance, would have to render satisfactory service to their patrons — service at cost — as their failure to do so would cause other corporations to be organized by dissatisfied individual patrons or by another independent group of individuals, with the result that the original corporation would be obliged to improve its service or retire from the field.

Practical Program

When the reader has pursued this discussion to this point he will have discovered that Mutualists believe that their ideals may be realized, to a considerable extent, under the present governmental regime, and in spite of many of the laws now on the statute books. It is not claimed, however, that the complete program and plan of Mutualism can be carried out in that way, and it must be obvious to even the casual reader that there are many laws that stand in the way. Therefore, Mutualists seek to remove these impediments.

Especially in the case of Mutual Banking, it would be difficult to make any great headway against the federal law that now imposes a tax of ten per cent on all issues of money other than that issued by the government itself or through the national banks. In addition to this, there are laws in many states making it a criminal offense to issue any sort of notes that may pass as money.

Now, there are various ways in which these unnecessary and obnoxious laws may be eliminated. The first, which suggests itself to the person who believes in the efficacy of political action, is that of repeal by the legislatures and Congress. That step may be pursued, possibly with good results. In fact, it is an admirable procedure, and may be prescribed in even more cases than those directly bearing on the inauguration of Mutualism. But it should be pointed out that there is a certain tradition that militates against that step. How rarely has any law been repealed outright! It seems to be a common notion that no law is ever to be taken off the statute-books unless another one is to be put in its place. That has been the history of legislation in the past, and there are few signs of any change.

Despite that gloomy outlook, there is, however, work of that kind which must be done. Where laws have been enacted — through ignorance or deliberate intent — that stand directly in the way of the realization of Mutualist ideals, their abrogation or nullification must be secured somehow. Where obstructions in the road of progress cannot be surmounted they must be removed.

Whether, according to Oppenheimer and one school of sociologists, the State originated in aggression, or whether, according to other authorities and investigators, it developed from primitive attempts to associate for defense, the fact remains that, at the present time, its operations partake more of the former nature than of the latter. While some of the activities involved in the realization of Mutualism can be carried on under the present laws on the statute books, many of the more vital and essential elements are frustrated and at times wholly prevented by these laws, as in the case of Mutual Banking. But it should be borne in mind that it is difficult to arouse any enthusiasm in legislators for the repeal of laws, for the simple reason that there is rarely a great and insistent demand for the simple repeal of a law. Most people believe that all the ills that beset society may be cured by

It is a most hopeful sign for the virility of the human race that, in spite of all the meddlesome paternalism of the State, which, through its maze of laws and regulations, tends to subvert and extinguish initiative by discouraging individuality and the precious sense of personal responsibility, there should still exist a surprisingly large number of altogether voluntary activities and associations. The chief distinction between these and State activities is the personal initiative at the base of the former, and the consequent observance of the principle of voluntary cooperation; while in the nature of the latter there is an arbitrary imposition, compelling contributions and membership at all costs, in the face of varying aptitudes, inclinations, and even of outraged protests. This applies to any function which the State may arrogate to itself, whether it be in religion, education, art, commerce, or industry.

In religion, so far, the right of the State to interfere is denied in this country. But it will need a firm and decided stand on the part of all clearheaded people to curb the present demand of religious leaders for compulsory religious instruction in the public schools, and to counteract the ridiculous opposition in the backward states to the teaching of evolution in the higher institutions of learning.

In the educational field there are organizations like the Society for the Promotion of Simplified Spelling, the Society for the Advancement of Science, and a large number of private museum societies and educational groups of varying size and influence, all developing initiative and an increasing sense of personal responsibility among their members. All these organizations are worthy of support. Every liberal or radical will find it desirable, as a means of educating the people, to belong to one or more of such societies, especially the local ones, which are of necessity more restricted in their appeal, and therefore more in need of support. For it must be remembered that the most valuable activity in behalf of freedom must take place in the educational field, and that there can never be too much of it.

Other valuable expressions of private initiative are the many hospitals, sanatoriums, and asylums founded and maintained by benevolent societies and religious groups. They are usually superior to State institutions, and their increase is to be looked on with favor, as they will tend to lessen the need for and importance of the pompous, red-tape-bound State institutions.

Another encouraging indication is found in the world of business, where there is an increasing number of joint owners of all sorts of business enterprises. The current types of corporate organization make possible undertakings of such a scope and magnitude that the government itself would hesitate to engage in them. And yet, not so long ago, such accumulations of private capital and resources were supposed to be impossible and all enterprises of any size used to make appeal for State aid before commencing operations, believing themselves unable to succeed without it. Today, the tables are turned, and instead of corporations asking the State for aid, they have become so rich and powerful that the power of the State is being invoked to curb them.

However, it is not the corporate structure which needs to be fought, but the development and continued existence of all sorts of abuses which are made possible through the State protected special privileges, analyzed and criticized in previous chapters of this book. In the absence of monopolistic franchises, of interest extortion, of royalties and patent control, of "protective" tariffs, and of non-

capitalism, with all its drawbacks and iniquities, was preferable to such a regime.

It was entirely logical for the Communists to try to choke the healthy progress of the Co-operatives, which had been growing lustily up to 1918. They represented the exact antithesis to Socialism, since they were voluntary and autonomous associations. The Bolsheviks proceeded to take over these agencies and nationalize their property. With what result? That in April, 1921, the autonomy of the Co-operatives was re-established, because their nationalization had proved an utter failure !

Did Bolshevism give the producer the full value of his product?

Just how badly the peasants were exploited compared with previous times can be seen, when it is realized that the peasant had to pay thirty to forty times as much for the manufactured goods he needed as he received for his grain, if he got paid for it at all. This-was exploitation of the country by the city, as Gorky called it. No wonder the peasants refused to take money and demanded that the workers give them, in exchange for their grain, the tools and machinery and clothes they needed. This type of exploitation would be even greater in a country in which industry was predominant because the breakdown of the industrial end would superimpose a more rapacious parasitism on the smaller agriculture. At the same time that the peasants were being crushed by forcible levies, a dead weight was placed upon all trade and exchange of products. Money was made valueless, and the only means of transferring products was that of simple barter.

With the junking of the co-operatives, it was not to be expected that the Bolsheviks would exhibit any friendliness toward co-operative or mutualistic banking institutions. Money was issued in a continuous stream, having back of it only the valueless fiat of the state. Thus, out of the bitter injustice of the forced levy and the economic blunder of fiat money, grew the terrible famine of 1921. (Kamanev, in report to All-Russian Congress, December 1921, reported in *Pravda*, A. Shadwell, *The Socialist Movement*, 1824-1924 p. 43).

The forced levy was given up; industry was nationalized; and although the money problem was never satisfactorily solved, industry improved the closer it came back to capitalism by way of State capitalism and, subsequently, the "NEP" (the New Economic Policy); and the exploitation of country by the city decreased in the same measure.

Still another form of exploitation was exercised by groups of workers over the rest of the population through Syndicalism. The basic defect of this plan is that it will permit exorbitant demands by the workers in the so-called key industries. While this possibility had heretofore always been indignantly denied by Syndicalists, it was found that some of the Soviets exercised just exactly that power of dictatorship by a single group. For instance, the railway workers, while their numbers *increased* and their efficiency *decreased*, made such, extravagant demands in wages that the Bolsheviks had to nationalize the railways, so as to alter the status of the members of the Soviets to employees of the government.

And did the government itself, under the succeeding State Capitalism, take something away from some and give it to others? This is how it worked. After nationalization, a great many factories were subsidized from the treasury of the government. This means that deficits were made up by taxing others, mainly the peasants, and by spending what had been accumulated under the previous regime.

The amounts, as published in the government papers, were enormous. That this system invited inefficiency and corruption goes without saying. There was no control over expenditures. Money was forwarded in cases where factories did not exist (*Economicheskaya Zhizn*, February 25, 1919, Report of Nemensky on Centro Textile: Government Textile Trusts). The results of such "help" were, of course, negligible.

When, in April, 1918, State Capitalism was instituted by Lenin, there was exploitation through bureaucracy. This latter was found to be extravagant, inefficient, corrupt, and reminded the populace very strongly of the old Czarist days. In 1919, the official Bolshevik press was full of revelations of graft, spoliation, and robbery by officials. Embezzlement was very common, and high-handed robbery of the peasants the order of the day. In the Centro-Textile, an audit showed that 125 persons not in its service were drawing pay. According to *Izvestia*, (*Izvestia* No. 63, 1919, commenting on and quoting report of Nemensky), a Bolshevik organ, the efficiency was so low that typists averaged one letter in, per day; the clerks averaged half a letter out and one in, per day! Lenin in one of his speeches poked fun in particular at the deadening bureaucracy and red tape that had to be overcome before anything could be accomplished. When the output of a particular industry was finally increased, it was at an enormous cost. The example given of the Centro-Textile is typical, not solitary.

It is true that many officials were put to death by the Bolsheviks for embezzlement and corruption. They point with pride to their severity in those matters. But this merely proves the great extent of official graft, and serves to strengthen the argument against bureaucracy, because it is an exploitation of the general populace.

Paxton Hibben, an admirer of Bolshevism, stated in *Current History* for February, 1926, that "the Russian government is a bureaucracy — the colossal bureaucracy of red tape that Lenin feared."

The ideal became that of industrial despots everywhere: absolute submission of the individual to the order of the manager. The State as an employer was found to have all the disagreeableness of capitalism plus all the coercive powers of the State behind its orders, with no hesitancy to use them. The effect of government trusts on the consumer was the same as that of any trust: Standardization of output, high prices, the elimination of all individuality in products, and the reduction of the consuming public to the dead level of having to take what can be most cheaply made at the greatest profit to the manufacturer (that is, of the Bolshevik government).

The government trusts of the present day are still subsidized in various ways by the semi-State-Capitalistic government. The tariff (which is the highest in Europe) is, of course, made with an eye to the protection of the State industries, even if the people have to pay a higher price for their goods. Paxton-Hibben in the same article said that "the government monopoly of foreign trade protects the great government trusts which manufacture the articles that the 135,000,000 Russian need so desperately ... the government that is doing (all) the importing sees to it that what it imports does not put its own factories out of business."

Did Bolshevism abolish involuntary idleness, strikes and lock-outs, and parasites, thus increasing production to the advantage of the producers?

X
METHODS OF REALIZATION

It is the chief merit of Mutualism that its program is in line with the past growth of society. In medieval times, the relations of men were fixed; their opinions, calling, places of residence, earnings, in short, their social and economic life, was more or less static — established by custom and authority. The great progress made since those days is due to the increase of individual freedom in the various spheres of human activity. Mutualism proposes a further extension of liberty, in conformity with this historic development.

Thus the immediate program of Mutualism is presented:

In the social sphere, it is the creation and support of such voluntary associations as will be able to supersede the present coercive system, and, in the economic field, the creation and support of such voluntary agencies as will sharpen individual initiative and responsibility, and free economic life from the oppressive hand of authority and privilege.

As it has been in the past, progress will be slow and tedious, almost imperceptible to contemporary observers. It will be nothing spectacular, like a glorious but futile revolution, but just a continued application of hard work, common sense, eternal vigilance - the only way in which any change for the better has ever come about.

Because Mutualism will remove, for the benefit of all producers, the present artificial limitation of production of all commodities, and because it will abolish exploitation, without subjecting men to the slavery of coercive communism, it should appeal to those persons who prefer the variegation of liberty to the dull mediocrity of equality. The present system is changing, and the question for each student to, answer is: Shall the people create their own voluntary forms of organization, or shall they increase the powers of antiquated authority and accept its rules and regulations for the conduct of their lives?

action, they might simplify or standardize conditions controlling the production and marketing of commodities; lessen the cost of commodities to the consumer; increase the rate of compensation for work performed; and secure the use of land, capital, and ideas on more favorable terms.

In the first group are farmers' and fruit-growers' associations, trade associations, corporations, and trusts.

To the second group belong the consumers' cooperative societies.

The third group is largely represented by the various labor organizations.

And the fourth group includes building and loan societies, insurance companies, credit unions, labor banks, land leagues, and other units of radical and reform movements.

Naturally the demarcation is seldom clear cut. There is nearly always some overlapping of interests and aims.

While the avowed intention of the Cooperative Movement, according to its leaders, is the abolition of the profit system, there is no indication that the rank and file have yet been educated to the point of understanding that the principal form of exploi-tation is interest.

The great majority of cooperatives are still paying interest or dividends on the capital invested by the members, and they are still demanding interest on loans and paying interest for bank deposits. Since they are in the midst of a society organized on a capitalistic basis, they are necessarily affected by profit psychology, and it is therefore understandable that they do not realize that interest and profits will have to disappear entirely before exploitation can be wholly abolished.

Since that psychology is natural in that environment, as long as the Cooperatives do not familiarize themselves with Mutualistic means of circulating their own credit, or, rather, of furnishing credit to their members without pure interest, they will feel it necessary to continue to charge and pay interest in transactions with their members. To help them to see the vast opportunity that lies within their grasp, and to utilize the power with which their admirable organizations provide them, it is hoped the present volume may be of service.

Agriculture, which was **not** nationalized in Russia, never dropped to less than fifty per cent of pre-war production. Industry, when fully nationalized and militarized, shrunk to one fifth! (Trotzky in *Current History*, February, 1926; Kamenev, in report to All-Russian Congress, December, 1921). In a modern industrial country, one-fifth production would mean utter ruin and speedy starvation. The Russian peasant, sticking to private production, carried the nationalized, ruined industry — and saved Russia.

The workers were utterly unprepared to run industries. In *The State and Revolution* (1917), Lenin, like all soap-box orators, had told the proletariat how easily they could carry on economic life. After 1918, it was another story. His speeches are one continuous, brutally frank admission:

"We don't know the first thing about how to organize, how to distribute, how to manage, and so on. We don't know ..."

He found that the experts had to be called back, at huge salaries; equal pay — a cardinal principle — was cast overboard, together with workers' control, and piece work and the bonus system instituted instead. Lenin's *The Soviets at work* and *The Chief Tasks of our Times* advocate such things as "the latest progressive measures of capitalism," … "the Taylor system of scientific management."

With Increasing return to capitalism, freely admitted at the time by Lenin, and with the release of the Cooperatives, production, was picking up proportionately. But the communists are even now living off the inheritance of the past to a dangerous degree. For instance, while there is really little construction going on in Germany, investigators say that, compared with Russia, building activity in Germany is feverish. Failure to debit this non-replacement of buildings and other capital goods gives an entirely wrong picture of actual production, in the same way as would a business statement that showed old, dilapidated buildings at the original value.

Is unemployment decreasing?

While on every other subject there is a great, wealth of statistical data, on this unfailing index of economic health — involuntary idleness — the communists are strangely silent. *The Soviet Union Yearbook for 1926* gives no information. According to the *Russian Review* of December, 1926, unemployment among trade union members alone reached 1,182,500 in April, 1926, an increase of nineteen per cent in a year, despite official forecasts of decrease.

Over a million unemployed trade union workers in an industrially weak country like Russia would be equivalent to four of five million unemployed in a highly industrialized nation like Germany; yet Germany, at the very lowest point of her post-inflation crisis, never had a total of more than two million unemployed. Now, according to competent observers, the total number of unemployed in Russia runs up to several millions. (Morus, a pro-Bolshevist writer, in the Weltbühne, September 7, 1926).

No greater indictment of communist failure could be given than this. Nine years of Socialist experimentation and millions of workers are tramping Russian soil in search of work! And this in the richest country in the world, with vast natural resources just crying to be developed - a country, however, burdened with many

specimens of the "Communist brag," who, according to Lenin, is a person that, "being a member of the Communist Party, and not yet having been put out of it, imagines that he can solve all problems by Communistic decree" (Arthur Shadwell, *The Socialist Movement*, 1824-1924).

The primitive conditions under which the masses of a half-Asiatic, agrarian country like Russia are even now content to live are not attractive at all to the Western European or American working man, whose standard of living is from two to four times as high.

To sum up: Exploitation still exists under Socialism. There is the dictatorship of the unskilled, the dictatorship of the syndicates or soviets; the exploitation of the country by the city; and exploitation through government inefficiency, graft, and bureaucratic red tape. The more purely Marxian the type of Socialism, the worse this exploitation would be.

Some Socialist Prophecies

In closing the discussion of Socialism, it may not be amiss to point out that the most important Marxian prophecy has not come true. While under ordinary circumstances this would not be a serious thing, it is very serious in this case, because the scheme was based on just these expectations.

The fundamental prediction was that the workers would become poorer and poorer until they would revolt. Yet they were certainly more revolutionary fifty or a hundred years ago; and their living conditions are far superior today than they were, for instance, in England at the time Marx wrote. The skilled worker now has more of a bourgeois outlook on life and desires a higher standard of living, and in this he is seconded very closely by the unskilled worker, whose opportunity to get into the ranks of skilled labor is also greater today than fifty years ago.

Although it is true that capital is being concentrated in a comparatively smaller number enterprises, the number of capitalists has not decreased, owing to the growth of corporations with a large number of stockholders in all walks of life.

Moreover, Marx did not recognize the real capitalist, although he was pointed out to him very forcefully by Proudhon, the French economist. Seventy-five years ago, Proudhon and Marx were discussing the power of capital, the first contending that it lay with the financial capitalist, Marx insisting on the industrial capitalist. Time has borne out Proudhon's contention.

According to Marx, capitalism was going to fall to pieces because of the rapid increase of commodities produced that could not be sold, so that capitalism would fall of its own weight.

Yet the break-down is now no nearer than it was at that time.

Herman Cahn, a follower of Marx, in his book, *Capital Today*, admits that the system has changed somewhat since Marx's time, and that the need of capital in backward countries is so great that he is forced to *state that the revolution is not coming from too much capital.* ... China, he says, will need dollars 100,000,000,000, and other countries will also require large sums, so that the surplus capital can be exported for a long time.

In the meantime, he finds, the industrial capitalist of Marx has been supplanted

with its complex needs and demands, and with every inch of the earth being claimed by one or another of the established political units, they are generally predestined to failure as far as their true object is concerned.

Such experiments may still serve as useful laboratories in which to try out various schemes and ideas, and in that way they may have a certain value. However, they are also bound to demonstrate the futility of segregation from the mass of the people as a solution of the social problem. Mutualists, while they regard these plans with toleration and even with eager interest, do not presume to offer them as a practical means of realizing their own ideals.

With the exception of the groups that were bound together by religious ties, those experiments were usually doomed to early failure; and even the religious ones finally tend to wind up as capitalistic concerns.

A typical case is the rise of and the present state of Mormonism. Commercial and industrial organization for profit seems to be the chief function of that society as it exists today. Another case is that of the Doukhobors in Canada, a communistic colony of the religious variety. Through constant friction with the State in which their colony is located, they were forced to vest all powers in their leader, Peter Veregin, who rules them as a benevolent czar and represents, and defends them against the government.

Social problems can be fruitfully worked out only in the midst of present-day society. To go away from it with a few choice spirits, and to try to begin anew by pioneering, with all its hardships, is a mistake, as it takes away from society the very persons most needed for the solution of the problems.

Colonies usually begin with agriculture, which, especially for the inexperienced city dweller, has in itself so many problems that must be solved that the immediate cares soon take possession of the colonists, leaving little time or energy for the practice and realization of the very ideal for which the colony was founded.

Living together as closely as colonists generally must and having intimate dealings with one another to the exclusion of outsiders, always turns out badly, because that truly communistic impulse, which the believers in these close forms of cooperation and group life postulate, is lacking, even in the first generation, and especially so in the next. This basic misconception has caused the downfall of all such experiments, whether large or small.

In many a forgotten corner of the United States may be found a small group of people who constitute the remnant of a colony where many persons, sometimes numbering hundreds, risked and lost the savings of a lifetime trying to realize an ideal condition of societal relations. If all this expenditure of time, and wealth, and personal effort, and all this high-minded eagerness of spirit, could have been put to a more practical purpose, the libertarian movement would have gained immensely by it.

Other Efforts

There are a great many organizations which have been formed expressly for the purpose of getting individuals to cooperate, in the hope that, by such united

sincerely appreciate the achievements of the Cooperative Societies. When cooperative stores were started in England, years had to elapse before prejudice and opposition could be overcome. One at a time the members straggled and in dropped out. Three generations passed before the great organizations which exist today were finally evolved. In England, the Mutualist principle of exchange could be put into effect at once. The cooperative organizations have the complete machinery for a Mutual Bank right in their very hands. Thus, if the factories and stores and farms, and ships, and above all, the banking departments of these associated societies were operated at cost — that is to say, at an interest rate of zero per cent per year — so much benefit would accrue to the workers and producers that all except the parasitic classes would become more prosperous. The small loss of the interest on their deposits and the loss of profits in their stores would come back threefold to the Cooperative workers through the increase in production, through better wages and through cheaper commodities.

One hundred years, ago, Josiah Warren, in Indiana, demonstrated in the "time Store" that goods could be sold at cost. There it was accomplished under primitive conditions by a single individual; it is infinitely simpler to do it now by the cooperation of a million persons!

Denmark, a country in which cooperation has been highly developed, has shown how better land and credit systems can work wonders. When the increase in population made itself felt in that, country, as it did in all of western Europe, the Danes had neither coal nor water power, and could not turn to manufacturing, as did England and, later, Germany, so they began a system, of intensive agriculture, with garden and dairy products as specialties. In this field they have become very efficient, and the eggs, butter, and cheese produced are so highly esteemed that they are in demand over all others in the neighboring countries.

As Denmark has no ruling landlord and capitalist class, its land is parceled out into many small holdings, which are owned by the farmers themselves. There is not much tenancy. This is in sharp contrast to England, where the nobility owns millions of acres of land, and 2,000,000 people are paupers or unemployed all the time; or to Germany, where the people, notwithstanding all their sufferings, are even now unwilling to dispossess the Kaiser of his lands.

The Danish cooperative societies, through their credit system, can borrow money from the banks at a low rate of interest. The government, haying no landed or moneyed aristocracy to coddle, at the expense of the rest of the population, puts fewer obstacles in the path of the producing classes than elsewhere, with the result that the country, poor as it is, has a very large export trade.

Colonies

A form of cooperation that is recurrently popular is that of colonization. Eagerness to realize diverging political or economic ideals during their own lifetime has, from time immemorial, caused ever-new groups of idealists to segregate themselves in colonies. While society was comparatively simple and primitive, and plenty of desirable land was to be had for the mere occupancy, some of these colonization schemes were able, to succeed; but at the present stage of civilization,

by the financial capitalist. Yet eighty years ago Proudhon showed the power and dominance of the financial capitalist and was roundly abused by Marx for saying so.

Mr. Cahn shows how the banks expand credit until it is several times the amount of the cash deposited by their customers, and that, when all these depositors will go to the bank and ask for their money, *the revolution will come*.

Marx had expected a revolution by the people who had nothing. As this did not come off, Mr. Cahn looks for a revolution by those who have something. He is not going to be cheated out of a revolution if he can help it. Somebody must start one; and, if the proletariat won't, the rich will.

Victor Berger, in a recent editorial in his paper, *The Milwaukee Leader*, also admits the supremacy of the financial capitalist, in the following words:

> *"The banker used to be just a money changer and lender. When the modern industrial capitalist started out on his career as a victor over feudalism, his experts told him that he would rule the whole capitalist roost. The banker and the merchant would always be his subordinates. That's what Adam Smith and Ricardo told the British capitalists, and it became an axiom, that even Karl Marx accepted. Up to the end of the nineteenth century it looked as if Smith, Ricardo and Marx were right about this. But from then on the banker's capital gradually assumed the prerogatives of industrial capital and subjected the industrial capitalist and merchant to its dictation."*

Upton Sinclair, in his *Letters to Judd*, devotes many pages to the main form of modern exploitation: the banking system! He says: "First among the actions of men which have made poverty in America, I list our banking system." He realizes the importance of credit to economic life and the power that the financier wields through his control of credit.

All these changes of heart by prominent Socialists are the more remarkable, since their view is that the money question is dead. Tommy Morgan expressed this view in the words:

"Socialists have no more interest in the money system of today than they have in the money system of ancient Egypt."

The Marxians in Russia had seized the capital goods according to program; but, instead of producing more, they produced less, - much less, than before. They found it was credit and not capital that was needed; and so, at the Genoa Conference, Tchicherin asked the other powers for credit.

And for the same reason they favor those "mixed companies" backed by private capital. Having always sneered at the Proudhonian idea of credit and called it a bourgeois palliative, they did not understand the nature of credit and to establish it. The repudiation of their debts would have worked, if they had been able to establish credit of their own. In the end they will no doubt have to promise to pay their old debts as an earnest of good will so as to get new loans.

The Single Tax

The theory known as Single Tax demands the expropriation of rent by diverting it from the coffers of landlords into the national treasury, and to effect this end, according to Henry George, "all taxation should be abolished save a tax upon the value of land."

What this scheme will actually amount to will be land nationalization. "We must make land common property," is one of the expressions of George. Although he thinks that "it is not necessary to confiscate the land, it is only necessary to confiscate rent", the proposal is really a socialistic or communistic scheme. The ultimate result would be that the State would become the landlord and the tenant would pay a tax instead of rent. But what is the difference between having to pay a tax or having to pay rent for the use of natural resources? The Single Tax would not abolish rent, it would simply change it into a tax. The user of the most fertile land would be taxed till his products would net only as much as those of the user of the least fertile land in cultivation. Leveling results is the typical Communist way of attacking the economic problem, instead of leveling, or rather equalizing, only opportunities.

The theories upon which the Single Tax is based have been contradicted by the development of industrial society. Instead of the so-called "pressure on land" increasing, it is decreasing. According to the Ricardian law of rent, the basis of Single Tax, the best land is occupied first, and then recourse must be had to poorer and poorer land. The margin between the first and latest comer keeps growing until everything produced becomes rent, except what the poorest land produces.

In other words, while Malthus claimed that there is not enough land to go around, Ricardo, and George after him, said that there is not enough *good* land to go around. This has been contradicted by three facts:

1. The discovery of new forms of wealth under the surface of the earth, in poor land for which there was formerly no use on account of ignorance of their value; and new chemical methods, such as extracting nitrogen from the air or oil from coal.
2. New methods of using the soil for agricultural production. Shortly before Malthus, Goldsmith wrote of the good old days in England "when each rood maintained its man." Modern intensive farming is able to raise, on one acre of land, enough food for fifty men. Even as this is written, news comes from central California of at new record in potato raising: twenty tons gathered from a single acre! Furthermore, the gardener of today is in a position to make his own soil and climate.
3. New methods of building permit a greater use of a given area in the cities. Immense hotels are built on two acres, housing two thousand people. And the wealthiest, who have the greatest choice of location, seek these crowded places. In the matter of office room, there are many more people to the acre — it may almost be said, to the square rod. One office building in New York has fifty stories above ground and three below the level of the street, and there is office room to accommodate fifteen thousand people. The pressure on land is really getting less rather than increasing.

Voluntary cooperation is one of the phases of Mutualism that can be put into immediate operation, without the alteration or abrogation of a single law, and it is already being practiced in many countries. But most people are utterly unaware of the magnitude of some of the cooperative enterprises now in existence. The English cooperatives started as competition against short weights, poor goods, and high prices. The competition of the present cooperatives the world over acts as an economic governor to corporate greed and rapacity. The competition of cooperative insurance has cut other insurance premiums in half. If, to what has already been done, the Mutual Bank and occupancy-and-use tenure of land should be added, all exploitation by capital could be eliminated.

It would be possible to point to a large number of cooperative organizations now in existence, but space is not available here, and, moreover, the information may be found in a number of books now obtainable in book stores and public libraries. Suffice it for the present to call attention to a few figures which may be surprising and interesting.

There is in existence today the International Cooperative Alliance, with groups from 34 different countries; representing 80 national organizations, such as wholesalers' cooperatives, which in turn represent anywhere from 50 to over 2,000 individual societies each. The total membership of these societies organized in this way is over 50,000,000 people. If an average of four to a family be taken, the result is a total of more than 200,000,000 who are served by these cooperatives. That is nearly twice the population of the United States. (*International Co-operative Bulletin*, 1926.)

On January 1, 1926, Germany had 52,788 cooperative societies (consumers', producers', credit, and agrarian), with 10,000,000 members. Taking four to a family, it is found that more than half of the German population is thus served. The Central Union alone consists of 1,100 associations, with 8,500 shops and stores, a turnover of $ 154,000,000, and a membership of 3,500,000.

Russia has as many cooperators as Germany, if not more. The little country of Switzerland had, in 1924, 519 cooperatives; with over 360,000 members, and a turnover of 350,000,000 francs a year. More than one third of the Swiss families are cooperators.

Should it be suggested that the largest bakeries in our future society may be cooperatives, many people, thinking of the big capitalist trusts, will be skeptical. If they should be told that there is one cooperative bakery with 120 ovens and the most modern machinery, which turns out 800 tons of bread a week, and distributes $8,000,000 worth of bread and cakes a year; should they be further told that this bakery keeps the price of bread down to cost for the consumer, that it uses only good ingredients, that it sifts its flour, in contrast to profit bakeries - in short, that it is the best equipped, the largest, and the cleanest in respect to equipment, material and personnel — these persons might still be doubtful. Yet this is an actually existing organization which has been described: The United Cooperative Baking Society of Glasgow, Scotland, which has been in existence since 1869. Similar ones are to be found in many other countries.

These examples are cited merely to refute the critics who insist that voluntary economic organization is impossible. Mutualists unreservedly acknowledge and

Will the Cooperative Movement increase individual liberty? One of the tests of any reform movement with regard to personal liberty is this: will the movement prohibit or abolish private property? If it does, it is an enemy of liberty. For one of the most important criteria of freedom is the right to private property in the products of one's labor. State Socialists, Communists, Syndicalists, and Communist-Anarchists deny private property. Even some of the cooperators, while admitting the right of private property, believe that the individual is better off when owning capital jointly, as if there were some particular evil in the individual ownership of capital. But, happily, there are a great many cooperators who realize that private property is a prime essential for individuals, making them independent, thrifty, responsible — effects exactly opposite to those produced by public ownership.

The Cooperative Movement is founded on the principle of voluntary association. Any member may withdraw from his Cooperative, taking with him that which belongs to him. In other words, he is free, in that respect. And, since the ultimate aim of the movement is the gradual disappearance of monopolistic and compulsory institutions, the individual will enjoy a progressively larger freedom than he does now, if this aim is reached.

A cooperative association can tolerate criticism; it can be threatened by any member with non-support, or even with opposition; any number of members may actually secede and be free to start a counter organization, without being shot for treason.

In fact, a true cooperative is a creature of its members; it has no power over, them except what has been accepted, by voluntary agreement; they can overthrow it at any time; and it will only be able to exist if it gives the service for which it was intended.

This is freedom; and, because, cooperators acknowledge this freedom, there is hope that, in the course of time, they will acknowledge freedom as the most important requirement in all the relations of men. Moreover, they will, no doubt, also find, that the, only liberty possible in human relations is equal liberty - that is, the largest amount of personal liberty that is compatible with the like liberty of all.

The fact that the Cooperatives are purely voluntary associations, and are, as far as they go, wholly libertarian, gives them a high place in the esteem of Mutualists, who maintain that the world's best work is done in the absence of compulsion, and in spite of, rather than with the aid of, the arbitrary power of organized authority. It is this characteristic of their structure, in the view of Mutualists, that renders the Cooperatives of peculiar value in advancing the principles of Mutualism and in developing its processes.

It is a significant fact that the Bolsheviks, after trying to squeeze the Russian Cooperative Movement into their State capitalism, were forced by the bad results to give back to the Cooperatives their freedom, and that they now expect more help in the socialization of Russian economic life from the cooperatives than from any other agency. But, if these remain true cooperatives, the Communists will be sadly disappointed in their expectations.

Voluntary Organization Immediately Practicable

In regard to the first question, that of liberty, the Single Tax, with all the good intentions of its sponsors, would yet fail short of accomplishing its purpose. It is a communistic scheme and will increase the sphere of government with its necessary increase in bureaucracy. Whether or not the Single Taxers propose it, the government would inevitably go into all sorts of ventures with the great amount of money accruing from the rent collected. Of course, it would all be intended for the benefit of the people, but officials everywhere have the bad habit of trying to get as much out of their jobs as possible, and of abusing the power that is given them.

Politicians are prone to seek opportunities for graft, and there would be no end of enterprises into which, they would lead the government.

The proposal to tax land up to its full rental value and to distribute the proceeds among the people is only an empty promise. The people of the United States now pay the stupendous sum of eleven billion dollars a year for taxes for the support of national, state, and municipal government, and this sum is constantly growing. If paying taxes could make a people well off, all the nations of the earth would have been rich long ago.

The progress of land tenure has been one of increasing security in possession, from serfdom through tenancy to individual possession. Land nationalization would be a distinct step of retrogression; and the putting up at public auction of the land by the State, which the Single Tax scheme would practically come to, would in all probability increase insecurity of possession.

Exploitation could not be abolished through the operation of the Single Tax. Some Single Taxers are coming to realize the importance of the money monopoly in modern life. Henry George defended interest, which is coming to be recognized as the most vicious form of exploitation.

The power of capital to support its owner without work would still exist, and that all-important economic instrument - credit - would still be in the hands of the privileged financier. The control of modern economic life is in the hands of those who have control of credit of capital.

Just how badly the land-owning farmers are exploited through the money monopoly was shown in 1920, when over 600,000 farmers went bankrupt. What was the reason for that disaster ? The banks in the agricultural regions were directed by the Federal Reserve Board to restrict loans to farmers. The result was that they could not market their goods. The Single Tax would not have changed this situation an iota. What the farmer needs is easy and cheap credit, not a change from rent to a tax. And what he further needs is freedom from tariff on the things he uses.

Other Movements

Individualist (sometimes called Philosophical) Anarchism is, aside from Mutualism, the only movement for sociological reconstruction based on the principle of equal liberty. Individualist Anarchists, however, lay no claim to having a positive or constructive philosophy. Their affirmation of the sovereignty of the individual implies merely a protest against authority as such. Benjamin R. Tucker, the chief expounder of the doctrine in America, has stated the case in these words:

"Anarchy has no side that is affirmative in the sense of constructive. Neither as Anarchists nor — what is practically the same thing — as individual sovereigns have we any constructive work to do, though as progressive beings we have plenty of it."

While Anarchists have demanded the destruction of the four great monopolies (money, land, tariff, and patent and copyright), which object Mutualists share with them, their program for the accomplishment of that purpose has been the abolition of the State. That consummation is still far off; and Mutualists, "as progressive beings", believe in working toward the gradual elimination of the four great monopolies through a peaceful substitution of voluntary institutions for compulsory ones as an ever and ever greater measure of freedom is secured.

Communist-Anarchism (or Anarchist-Communism) is an attempt to blend authority and freedom. Its adherents believe, with the Socialists, that all capital should be owned and operated by the people in their collective capacity, with the exception that, instead of a large centralized State, they want this done by smaller groups; and they therefore deny liberty in production and exchange.

They believe, also, with the Socialists, that wealth is not produced by the individual, and that therefore the individual can lay no claim to any of it as his separate property.

If they would permit non-participation on the part of dissenters, and allow the latter to secede, and take their property with them; or, if Communist-Anarchists would tolerate with themselves, among themselves, or around themselves, any sort of libertarian society and all of its non-invasive activities, Mutualists could find little to complain of in such a program, since Mutualism is not opposed to the exercise of any non-invasive efforts, be they communistic or otherwise; but not many of the Communist-Anarchists take that position, so that their denial of the liberty of the individual is diametrically opposed to the fundamental principles of Mutualism. The purpose of the Communist-Anarchists seems to be to secure equality at the expense of liberty.

Municipal ownership, not being a complete system of social reform, cannot be here treated as worthy of criticism as a movement. Inasmuch as it is, in practice, merely a preliminary step toward the realization of Socialism, it is open to all the criticisms that have been devoted to those phases of Socialism which it represents.

this; but they cannot wholly accomplish this without such an instrument as the Mutual Bank.

As a matter of fact, it seems that they feel the need of just such an institution. J. P. Warbasse apparently expresses that feeling in the following words:

"The payment of interest might be expected to disappear as the society developed to the point where it was unnecessary to call upon its members for capital for development purposes. Ultimately, when a society desired to undertake new developments, it would proceed with the labor power of its members. It would use the materials and natural resources which it already possessed. Material which it had to procure from other societies would be paid for with credit to be exchanged for products of its own. A central clearing house, growing out of the International Cooperative Alliance, or the banking or wholesale agency which it creates, would serve to stabilize and adjust international exchange."

There are a number of advantages which the employees of consumers' cooperatives enjoy at the present time. On the whole, the wages are slightly better than in capitalist enterprises. The treatment of the employees is better, as far as working conditions, hours of employment, vacations, etc., are concerned. The cooperative stores in England were the first to allow the half day a week to employees. Some organizations pay their women more than the legal minimum wages; since most cooperators are working men and women themselves, they are sympathetic to any movement for the welfare of the employees of the society. Sometimes their vote will provide for these people conditions better than those under which they themselves are working. Most cooperatives give continuous employment to workers, because they are assured of a more stable market through their distributive societies, and, in some cases, out of a mere sense of responsibility, which is usually absent in ordinary business. The majority of employees, being at the same time members, have a voice in the running of affairs. In many places, cooperation between the society and the employees, and among the employees themselves, has developed to an astonishing extent in supplying the latter with insurance, education, recreation, housing, and health protection. A notable example is the cooperative garden city of Freidorf, in Switzerland.

Furthermore, there are on record a number of cases where strikes have been won by workers with the help of cooperatives. Frequently, a strike is decided by the length of time that the workers can endure hunger. Where strikers have to depend on profit stores or, worse yet, on company stores, they will be starved into submission. But where they have their own cooperative, with a national organization at the back of it, they can show an independence that will bring results. A favorite trick, in case of strikes, is for banks to refuse loans to unions or prevent them from using their funds, as has been done in a number of cases in England. In every case, the Cooperative Wholesale Society has helped the unions with a spirit of mutuality that was inspiring and that had the logical consequence that membership in the society, as well as deposits in its banking department, increased.

Cooperation Is Libertarian

supplanting both profit-making industry and the compulsory political state by the cooperative organization of society."

In contrast with the largest experiment in socialism (by the Bolsheviks), the Cooperative Movement has fully demonstrated its ability to provide food, clothing and shelter for all in abundance. Anyone who studies this movement marvels at the fact that business transactions running into billions are carried on very successfully by organizations based entirely on voluntary cooperation. Of the various types of cooperatives — the consumers', producers', credit, and agrarian — there are in the International Cooperative Alliance thousands of societies, represented by eighty national organizations.

Although the cooperative housing movement in this country is only twenty-five years old, it has made enormous strides. There is now, in such enterprises, a total investment of over $ 500,000,000, of which $ 200,000,000 is in New York City and $ 100,000,000 in Chicago. Strange to say, it does not seem to have been inaugurated here in the interests of people of small means, but New York' millionaires were the first to adopt it, in the form of magnificent apartment houses, as giving them greater comfort and conveniences at less cost and trouble, while providing an investment that has invariably increased in value.

After the wealthy had demonstrated the value of the plan, it was utilized by many others in all walks of life and in all the forms adapted to the uses of the various classes of persons adopting it; those of moderate means being the predominant type represented. It may be added, moreover, that there have been practically no failures in these ventures.

In banking and insurance, cooperatives have proved of immense benefit to those who had suffered from the capitalist system. The small producer and the farmer in Europe were in the clutches of the usurious money-lender until the cooperative banks, greatly opposed, of course, by the governments, came to their help. If the farmers of this country understood the development of a credit instrument that would take care of their needs without robbing them, they could do the same thing in this regard as they did in the case of insurance, which in many places has been cut in half through the self-help of the farmers.

Will the Cooperative Movement obtain for the worker the full product of his labor? It is evident that the Cooperative Movement is working toward that end, to the extent that it envisages the problem. While most of the cooperatives pay the stockholders some dividends, these are comparatively small. And, irrespective of the number of shares a member owns, he has only one vote in the affairs.

Furthermore, his savings returns do not depend on the number of shares, but on his patronage of the society. For instance, if one family buys $ 2,000 worth of goods during a year, and the savings returns are ten per cent, then they get back $ 200 at the end of the year, even if they own only one share. On the other hand, if a man patronizes the same society only to the extent of purchasing ten dollars' worth of goods, he will receive only one dollar, even if he owns twenty shares, or whatever the limit allowed to one member may be.

In other words, the tendency is to give service to members at cost, and not pay them a profit for the loan of their capital. It is quite possible that in the course of time service at cost would be the rule, and the progressive leaders are hoping for

III
THE CASE FOR FREEDOM

THE desire for freedom from oppression has inspired man in all ages; but the conception of what constitutes freedom has varied according to racial temperament, to the prevailing level of intelligence, to traditions, to physical environment, and to the nature and intensity of the particular oppression which seemed most flagrant at the time.

The conceptions of freedom have run the gamut from a faint hope for ever so slight a mitigation of unbearable burdens to an all-consuming passion for absolute freedom, and even today it suffers almost as many interpretations as there are social and political creeds.

To propound the question: Why are people asking for freedom - why are they not satisfied with things as they are? is to make it necessary, before answering, to ask another question: What is the chief end of existence? Philosophers have tried to answer this question since the beginnings of recorded history - who knows if not earlier? It remained for Herbert Spencer (the great English philosopher, in his book, *Social Statics*) to answer that question in a most comprehensive manner. He points out, in substance, that nearly all persons - including religious teachers and every writer on morality — teach that human well-being is the goal of life. He develops his argument at great length, and proceeds to prove that the only means for attaining that end is to allow every human being the greatest amount of freedom possible — that is, the greatest amount that he can have without limiting to a greater degree the freedom of others. From this conclusion he generalizes his famous formula of Equal Freedom:

That every man may claim the fullest liberty to do as he wills compatible with the possession of like liberty by every other man.

The inclination of the average person toward authoritarianism — that is, toward the coercion of the individual by organized society — is induced, naturally, by the fear of the aggressiveness or invasiveness of his neighbour. He feels, to be sure, that he himself needs no restraint — it is only the *other fellow* who is to be feared.

This feeling arises from two sources: First, desire of man to secure an advantage over a competitor; and, Second, the overestimation of his own liberty in relation to that of others.

The sociological problem involved, in the first instance, is how to restrain the impulse to excel so that it may not lead to invasive acts — that is, to the infringement of the equal liberty of others to strive to accomplish the same object.

There is no other solution than education.

Unless the individual *knows* precisely the significance of all his acts and their effect

upon his fellow, he has no serviceable means of gauging the measure of self-restraint which he must exercise. If one has studied the problem sufficiently to be able to know or to comprehend when a particular act will limit the opportunity of another to exercise his faculties *to less than a like extent*, one then may realize that he is overstepping the limits of *equal* freedom.

Since man is a gregarious animal, and lives and associates with his kind; and, further, since he must cooperate with others of his species in order to carry out practically all the enterprises which his mind conceives, he must find some basis upon which to establish such social relations. Now, it should be obvious that, if the highest efficiency is to result from his efforts, and if there is to be any degree of permanency to the relationship, the arrangement must - above all else - be an equitable one.

It is freely admitted that many bases for such relations have been experimented with, and some of them have worked fairly well for a time. It also is admitted that such, as have been tried, have been tolerably well adapted to the stage of development through which the race was passing at the time.

Finally, likewise, it cannot be denied that the plan at present in use is the best that so far has been employed. But it is not equitable! And it is therefore not the best conceivable or even the best possible system.

Of course it is a compromise. All schemes - since the very first - have been compromises. And even an ideal one also must be a compromise.

But with each step there has been - and in the future always will be - an attempt to put more equity into the compromise. To acquire sufficient knowledge to effect such compromise is, it seems, with most people, a slow and painful process. But it can be done. The personal or purely physical part of the question is extremely simple and clear. In its plainest form it may be expressed by the example of two persons wishing to look at a certain object. If one takes his position in front of the other, clearly he is limiting the opportunity of the other to *less than his own*. If, on the other hand, the two stand side by side, neither interferes with the view of the other, consequently their freedom is equal.

That situation is capable of extension, with due modification to obtain conformity to all variations of circumstances, to all the activities of life. Greater complexities naturally arise, however, when the matter of property rights is considered, and many subtle and vexing factors enter. Yet the same guidance may be secured by measuring all problems by the simple formula of equality of liberty.

If one man, through his superior intelligence and skill, or greater industry, can produce a larger amount of goods in a given time than another, and can therefore accumulate more than the latter, he, by doing so, in no wise limits the equal freedom of the other. On the other hand, if in the interest of the inefficient producer it should be attempted to take the surplus product from the other, it would be a violation of the principle of equal liberty.

It is but natural, as Walt Whitman said, that each should consider his own flesh the sweetest, and therefore a person feels more keenly any denial of his own personal liberty than he does that of his neighbor. In different persons this egoism varies with the personal equation, and inversely to the education and culture of the individual. Therefore, to realize that the happiness of others is just as important to them as one's own is to oneself, is the first step freedomward. To the extent that one

"How would it be possible for over three million people to cooperate in such a large and varied enterprise? It is absurd! It can't be done! You would have to change human nature! You; will never get together such a large number of people for those purposes without compulsion. People are too selfish."

The reply is: such a society, exists at the present, time. For Chicago read London, and for the United States read England, and you have a statement of the affairs of the English Cooperative Wholesale Society. What has been presented as imaginary was an actually existing fact in the year 1922. Is it incredible? If proofs is desired, the reader is referred to a publication of the United States Government in Washington, entitled *Cooperation in Foreign Countries,* a report of the Federal Trade Commission, 1925, from which the foregoing report is taken almost verbatim. Another even more enlightening book is James Peter Warbasse's *Cooperative Democracy*; which is full of interesting and stimulating information about what has been done in the field of voluntary associations.

Another answer is that while it would probably be impossible to compel those people to work together thus harmoniously, their social and Mutualistic propensities impel them naturally and voluntarily to cooperate to do the things that need to be done associatively. In the absence of force, their self-interest makes them come together on a Mutualistic basis, where the advantage of one is the advantage of the other, and where everyone gives and takes on a free man's basis. Thus they satisfy wants which, by themselves, they could not satisfy as wall. This satisfaction awakens new wants. These demand new enterprises, new combinations, new inventions. In this way society will grow naturally and easily, like a tree.

If, even now, with the constant interference and disturbance of social relations through the conditions mentioned in the preceding chapters, it is possible to do such things, what may not be expected when special privilege is gone and truly Mutualistic relations can be established in all provinces of life, and especially in economics? The belief that government compulsion is necessary to make people produce associatively the things they need or want is absurd.

The Cooperative Movement

Instead of being the outcome of a certain definite social theory, the Cooperative Movement has simply developed within the last eighty years, from economic conditions. According to James Peter Warbasse, the chief exponent of the movement in the United States, a Cooperative is

"a voluntary association in which the people organize democratically to supply their needs through mutual action, in which the motive of production and distribution is service, not profit, and in which it is the aim that the performance of useful labor shall give access to the best rewards."

The ultimate tendency is

"toward the creation of a new social structure that shall be capable of

institutions, social service agencies, civil liberty unions, and others. Indeed, it is hard to realize how many different activities are being carried on by voluntary associations of individuals, not merely for the benefit of the group, but with the avowed purpose of being at the disposal of society at large.

If a system so heedless of human values as is our present system has not been able to crush out all artistic impulses and the voluntary creation of cultural values, what may we not expect of a society of individuals who will have the opportunity for self-development, leisure to create and to appreciate, and, above all, who will fully understand the meaning and value of mutuality and who will protect one another's freedom to engage in any non-invasive activities, no matter how radical a departure from the customary activities they might happen to be!

IX
VOLUNTARY ECONOMIC ORGANIZATION — THE COOPERATIVES

In order to satisfy practical people a picture might be drawn of the possibilities of voluntary association in the future, and a group of organizations might be visualized as follows:

There is a society with 3,500,000 members, all of whom have joined together voluntarily, each member having the right, by withdrawing his share of the property, to withdraw at any time to join any other society, or to shift for himself.

It has 1,209 branches and runs 116 factories and productive industries in which anything is made from shoes to furniture, from rope to preserves, from books to automobiles. It is the largest distributor of tea in the world and operates a large plant in Chicago, for blending, packing and shipping, in which 454 men and women are employed. Its tea trade averages about 60,000,000 pounds a year. It owns 33,552 acres of land in the United States, with a nominal original value of nearly $ 5,000,000; 10,000 acres in Canada; and besides, 5,699 acres of tea plantations in Ceylon, and 28,617 acres in India, employing ten thousand people. The total wholesale distributive trade for the year amounts to $ 319,638,338.20.

It furthermore operates a bank of its own with over 1,500 agencies throughout the country. In the year in question, it has had a turnover of over £2,408,510,843.90. One-half of the industrial life and accident insurance in the country is written by this cooperative society. Its life insurance costs one-fourth of the old profit-making rates. Its social work embraces almost every branch of human service. It not only serves its own members, but is also of wide public benefit.

By this time certain impatient, matter-of-fact readers will no longer be able to control themselves:

is devoid of understanding of the other fellow's position and circumstances, just so far is one likely to be unwilling to grant him an equality of freedom. In other words, a person must be able so to detach himself from his own environment that he can look at the situation of his fellow man and at that of himself with an impartial eye.

To attain this justness of vision is no small task, but it is necessary to the complete comprehension of the basic principle of equality of freedom. Now, what are the inducements which may be offered for the acceptance of this principle? Every human being desires happiness. In fact, all his energies are directed toward securing, first, a livelihood, then (in proportion to his ambition), a competence, affluence, or complete power to satisfy all his desires. The satisfaction of all his wants - in the widest sense — represents the nearest approach to happiness that anybody can conceive. Equal liberty means that everybody will have equal opportunity in the quest for the things that bring happiness and that everybody will be protected in the enjoyment of those things once they have been secured.

Without security and tranquillity, happiness to a normal man is inconceivable. There never can be either of those states as long as some persons have less freedom than others. Therefore, when there is assurance of equality of opportunity for everyone, the inviolability of the person of each and the security of each in the possession of the product of his labor will be threatened only by the anti-social and criminally inclined, and protection against these can be secured through the common measures which society always must take for the safe-guarding of the lives and property of its members.

Now, once society has contrived to obtain, approximate security, as outlined above, (such security can never be absolute), and once it has so developed the consciousness of its members that they do not find happiness in the coercion of their fellow man or in his possession of less opportunity for the exercise of his faculties than they themselves possess, we are at the threshold of the acceptance of the principle of equal liberty, and its application will be comparatively easy.

The highest conception of freedom, then, is the greatest measure of individual liberty obtainable; for to live his own life to the fullest extent possible is what every man desires, secretly or openly, whether he realizes it or not. This is the only way to get satisfaction out of life; and all men crave satisfaction and happiness.

There are various "isms" which teach that society at large can best be benefited by the individual's sub-mission (more or less completely) to a central state, government, commune, or by whatever other term this controlling power (which pretends to be rational and benevolent) pleases to be called. The individual is largely ignored.

The theory of Mutualism, on the other hand, maintains that the interests of society at large are best served by the same means which go farthest to promote the interests of the individual: freedom from restraint, as long as the individual's activities are non-invasive; elimination of all factors which artificially limit man's opportunities; voluntary organization of society into associations as the need for them arises in order to carry on such activities as are beyond the power of the single individual; in short, a voluntary creation and mutual exchange of commodities under conditions which exclude special privileges and state-protected monopolies.

Mutualism cannot be pictured in operation unless there is in mind the attitude which will make such a system possible. This is not said for the purpose of reviving

the age-old discussion as to whether a change in conditions would be a moral or an intellectual one, or both, or whether the world will have to wait until men are born good before better conditions can be had.

Dealing with the economic phase of Mutualism, it can be shown on analysis that great changes for the better are possible; but men must be shown how to bring about these changes, and must be willing to work for them. This belief in a better condition, a system where goods and services ore exchanged equitably - that is, on a mutual basis - instead of as at present, where everyone is trying to gouge or plunder another, is what may be called a change of attitude.

Mutualism Universally Applicable

Mutualism is applicable to every human relation. Throughout the whole gamut of existence, from birth to death, mutuality - voluntary association for reciprocal action - can be felt everywhere and is at every moment available and waiting to solve every problem of social intercourse, to decide every issue that arises in commerce and industry.

In order to live Mutualism, it is necessary to observe only two conditions:

1. That the non-invasive individual shall not be coerced, and
2. That no part of the product of any one's labor shall be taken from him without his consent.

From these negative generalizations thus postulated, thereby affirming the sovereignty of the individual, naturally flows the positive and constructive corollary - reciprocity; which implies individual initiative, free contract, and voluntary association.

That there may be no uncertainty about the meaning of the term "sovereignty of the individual," it should be explained that it is here used to mean the complete control of the non-invasive individual over himself, his affairs, and the product of his labor.

Briefly, Mutualism is a social system based on reciprocal and non-invasive relations among free individuals.

The Mutualist standards are :

INDIVIDUAL : Equal freedom for each — without invasion of others.

ECONOMIC : Untrammelled reciprocity, implying freedom of exchange and contract - without monopoly or privilege.

SOCIAL : Complete freedom of voluntary association - without coercive organization.

The Four Great Monopolies

As has been earlier pointed out, there are four great monopolies that take their

There is no reason to suppose that in a mutualistic society art should still remain in bondage. On the contrary. One whose compensation amounts to the full value of his product can afford to spend fewer hours at the task of earning a living than is possible for him under the present system, especially since commodities would be cheaper because of the elimination of the triple burden of interest, land rent and monopolistic profits. With more leisure and fewer cares man can give more heed to the development of self, both ethically and esthetically. Therefore the Mutualist worker will be more able than the wage slave of today to take active interest in the practice and appreciation of the arts and sciences, in the application of art and beauty to everyday life, and in the voluntary establishment of cultural units by which all the members of society may benefit.

Even now there are private galleries of distinction which are open to the public. In the official museums, often the most interesting exhibits are those loaned or donated by private individuals. Private museum associations are in existence which are more alive and informative than the usual type of fossilized public museum. There is the Balboa Museum in San Diego, California, which is kept up by private contributions and (undoubtedly for this very reason) manages to impart much cultural influence to the community and to the various groups of eager, youthful students. The Metropolitan Museum and the Museum of Natural History in New York, the Southwest Museum in Los Angeles, are all of the same type.

There are organizations like the National Geographic Society, which exists entirely by virtue of private contributions from its many thousands of members, and yet is able to carry on extensive explorations and expeditions of great cultural value and to bring to its members first-hand information on many subjects, in many countries, through its beautiful magazine. The various auto clubs, with their good-road maps and dependable touring information, not to forget their road and traffic signs, which are for the benefit of all automobilists, give other instances of successful private associations not organized for gain but for mutual benefit. There are alpine and hikers' clubs, whose public mountain huts, especially built trails, freely furnished climbing accessories, and general friendliness to all lovers of the out-doors are healthy signs of cooperation for the good of society at large.

In Germany there is the "Duererbund," and association of artists, teachers, writers, and workers in the trades, whose express purpose is the development among all classes of people of artistic and cultural enjoyment and appreciation. Through a great number of varied activities, with the enthusiastic help of its members, the Duererbund, during the past thirty years, has actually succeeded in raising the cultural standard of a large part of Germany's population to a noticeably higher level. There are private, non-profit-making theater clubs which provide tickets for good plays to anyone at reduced rates.

In all civilized countries similar instances may be found. Such scientific expeditions as those or Amundsen, and of Ellsworth to the Polar region, of Lord Carnarvon into Egyptian tombs, of Schliemann to the ruins of ancient Troy, are all the result of private subscription.

Even now there are millions of people who pay, without any legal compulsion whatever, for the support of all sorts of institutions for which there is a "demand"; as private schools, churches, fraternal orders, hospitals, libraries, museums, crematories, artists' clubs, scientific organizations, peace societies, recreational

"free growth of the individual" by substituting "the freest equitable growth of the individual," so as not to lose sight of the fact that any growth, or benefit, of which one individual might partake at the expense of another individual would be against the principle of equal liberty. And it is this principle upon which the best possible system of society must of necessity rest.

It is the expression of the joy of life in the spontaneous creation of art and science which makes a nation or an age worthy of existence! Of all human expression, art is the one that requires the fullest amount of freedom in order to grow and to flourish. The creative spirit will not thrive in bondage of any sort. It suffers and decays under the censorship of the police, under the whip of commercialized greed, or under the veto of blustering authority.

The nearly exclusive restriction of artists in the Middle Ages to the representation of religious subjects, the destruction of invaluable cultural documents by those in power, as for instance that of the old Teutonic literature by Charlemagne, the whole disgusting keyhole censorship over modern literature and art by puritanical officers of the law, and above all the senseless, shameful, wholesale destruction of cultural and artistic values in the wars of modern governments, are typical examples of the pernicious methods and influences to which the creative spirit may be subjected in any but a free society.

Since a work of art should be the most intimate and essential expression of the individual creator, there is no absolute and universal standard by which it can be judged. It is neither good nor bad, "but thinking makes it so." The same work may evoke a good reaction in one observer and a bad reaction in another. For any body of men to usurp a monopoly of arbitrary judgment in matters of art and culture and to attempt to enforce such judgment by the imposition of fine and imprisonment seems the height of bigoted arrogance. And the inevitable result of such a state of affairs is the throttling and utter destruction of much of the finest potential genius of all times.

Genius will assert itself against all odds, it may be said. But can it even be guessed how much genius has been stunted, thwarted, and killed before it could gather enough force to assert itself? The atmosphere most conducive to the blossoming of art and esthetic values is not one of oppression or frantic struggle. The Greek sculptors, architects, poets, and thinkers were men of leisure (although not of idleness). The fact is not to be condoned that their leisure to create values was made possible through the existence of a class of helots — slaves — who did all the drudgery.

The Renaissance painters and sculptors, as well as the scientists, were in most cases *protégés* of the wealthy and powerful, who enabled them, for brief periods of time, to live entirely for their special work. It can only be imagined what a sense of utter humiliation and sickness of heart these men must have experienced in having their freedom to create dependent on the whims and prejudices of more or less aristocratic and pompous ignoramuses, but the social system of the period had ho other means of providing leisure and money for the artist than by currying favor with rich patrons. But if they had been really free to create, we should have an even more inspiring, deeper-reaching aesthetic heritage to draw upon. Censorship, with its train of evils, and the deplorable need of rich sponsors have ever been the bane of art.

toll from the product of labor.

They are :

First, and greatest of all, the money monopoly, established and maintained by the government through a national tax of ten per cent on all money not issued as specified by the government, which thereby exercises complete control over the amount of money in circulation and restricts its basis to one commodity only - gold. These federal regulations are supplemented by laws in most states making it a crime to issue any money except that authorized by the national government. This limitation upon the amount of currency that may circulate in the nation, and the restriction of the basis for the issue of currency to gold alone, makes it possible for those agencies controlling the issuance of money to determine, practically and directly, the rate of interest, and also, indirectly, commodity prices and the rent of buildings.

For the overthrow of this monopoly, Mutualism proposes to make banking free, and against this freedom stand only the national tax and the state laws above mentioned. With their removal the way would be open to the inauguration of the system of Mutual Banking described in detail elsewhere.

The **Second** great monopoly is that of land, whereby non-users are permitted to hold vast areas out of use, for purposes of speculation, which keeps idle labor from employing itself by recourse to unused land. Moreover, non-occupiers are protected in the holding of many parcels upon which they cannot reside or work, and this enables them, in conjunction with the privileges obtained through the money monopoly, to employ labor at a wage that represents only a portion of its full product. Mutualism would attack this monopoly by making occupancy and use the only title to land, and would abrogate all laws that protect any other kind of tenure. The process by which this system would be applied is also outlined and discussed at length in its proper place.

The **Third** in this quartet of iniquities is the tariff monopoly, by which the prices of many commodities are kept on an abnormally high level by a tax on importations which makes it impossible for foreign-made goods to compete with the products of domestic manufacturers, thus giving to the latter an artificial monopoly which enables them to rob the consumer at will, which extracts from labor in general another portion of its product. It must be admitted, however, that to abolish this monopoly and leave the others - especially that of money - intact, would work a great hardship on those employed in the protected manufacturing industries, since labor in these occupations obtains, under the present system, a higher wage than it would if there were no protecting tariff.

Mutualism, therefore, would not abolish this monopoly first, since to do that and leave labor at the mercy of the money monopoly would be unwise and harmful, even though, in the meantime, all those engaged in producing commodities that are not protected against foreign competition are forced to pay tribute to those manufacturers who are so protected. When, however, money and land are made free, the abolition of the tariff monopoly would throw open the markets of this nation to the competition of the world, and the laborer would be able to retain that part of his product which is now taken away from him and put into the pockets of those who manufacture the tariff-protected goods he consumes.

The patent and copyright monopoly is the **Fourth** of the list, and it has

permitted its beneficiaries to exact a tribute from the people, through the granting of an exclusive monopoly to inventors and authors, which greatly exceeds the actual labor value of the products of their intelligence and ingenuity. The great injustice of this monopoly may be better understood when it is considered that any person who might independently devise or produce a similar contrivance is prevented, by the special protection given the first one, who recorded his invention, from reaping any benefit from his own labor. In this case, not only is the consumer robbed but, likewise, every other producer.

Mutualism proposes freedom here, as well as elsewhere, and sees no reason why inventors and authors should be permitted to obtain more reward for their services than that which other laborers receive for theirs. The abolition of the special privileges of patents and copyrights would relieve the people from this source of extortion by opening up these lines of endeavor to the same competition that others must meet.

Cooperation and Competition

With these four major privileges eliminated, the others, that are entrained with them, would offer no serious difficulties.

Mutualism, which is the embodiment of both competitive and associative effort, teaches that there are two great rights that are admitted — in theory, at least — by everybody.

These are the right to compete and the right to cooperate; and, if the right to compete be conceded, so likewise must the right to refrain from competition, or the right to refrain from cooperation. In fact, the two activities go hand in hand; one can scarcely be conceived without the other. It is impossible to cooperate without, in some way, competing, just as competition, in its best and truest sense, does not preclude but prompts cooperation.

Cooperators, by the superior power derived from their combination, may be able to compete individuals or non-cooperators out of business; so that the keenest competition may make cooperation the price of survival. The two are twin economic forces that go to form the warp and woof of modern commercial and industrial life. Mutualism is prepared to harness them together in a team that will, under conditions of freedom, make them not only invincible but also the very bulwark of the new social order.

History of the Term Mutualism

Pierre Joseph Proudhon, the great French economist, wrote a number of books in which he expounded the principle of liberty, and in which he attacked both the economists and the reformers.

Liberty was shown to be, as he well expressed it, "the mother and not the daughter of order".

Proudhon explained that by property he meant privilege, so that his famous saying, "Property is robbery," does not justify Communists in claiming him as an

force his particular idea of happiness down other people's throats. But Mutualists prefer, even now, those private schools with which they may not be in accord, because these schools do not have the power and permanency of the public institutions and are therefore more easily adapted to changing needs under free competition in education.

In all this discussion it must be kept in mind that there is no effort to decry the good work done by some state universities and by individual teachers in many of them. The point is that this good work is done, not because the institution is run by the States, but in spite of that fact. And frequently it happens that the scientific findings of a department run counter to some popular notion or special economic interests, and the teacher loses his job, or recants. Thus the system by its very nature, to a large extent discourages respect for truth, destroys initiative, and stifles scientific thought.

It is safe to assume that the quality of private schools under Mutualism will be far superior to that of the schools of today. Even today, the private schools are far ahead of the public schools, not only in their methods of imparting useful information and cultural values, but also in the scope of subject matter, in the linking up of school and life, and in the developing of personalities. The public schools reluctantly follow suit in some minor instances, when sluggish public opinion wakes up for a moment or two and demands progressive reform. But the improvement is usually negligible.

When there are no more privileged schools, which can afford to wait for pupils to be forcibly driven into their classrooms; when all schools are equally free to compete for pupils; when they find their existence dependent upon the quality of their educational achievements rather than upon the whim or decree of some governing power; then shall we see healthy multiformity in education, schools of all types vying with one another to achieve excellence in their particular fields, whether these be kindergarten, primary education, secondary education, university training, vocational training, or some other form of special education. Then only will it be possible to cater to all tastes, needs, and desires, so that everyone may have full opportunity to develop his personality within the limits of equality of freedom.

Arts and Culture

"A good community does not spring from the glory of the State, but from the unfettered development of individuals: from happiness in daily life, from congenial work giving opportunity for whatever constructiveness each man or woman may possess, from free personal relations embodying love and taking away the roots of envy in thwarted capacity for affection, and above all from the joy of life and its expression in the spontaneous creation of art and science. It is these things that make a nation or an age worthy of existence, and these things are not to be secured by bowing down before the State. It is the individual in whom all that is good must be realized, and *the free growth of the individual* must be the supreme end of a political system which is to refashion the world."

This statement by Bertrand Russell, in his *Proposed Roads to Freedom*, ably sums up the case for liberty. For the sake of accuracy one might modify the phrase

most people, prohibitive, as the worker, after having his earnings split among the employer, the landlord, the money lender, and the government (including taxation for compulsory state education), has hardly enough left to fill the stomachs and clothe the bodies of himself and his family. But once the worker's earnings really go to himself, and he is free to expend or save them according to his needs and desires, he can well afford to pay for the best private education which his children are capable of acquiring.

Most private schools have to struggle hard for their existence, since they cannot protect themselves against the unfair competition of the State. The latter even retains control over the former by prescribing a definite curriculum which must be adhered to irrespective of the possible object of the private school, under penalty of non-recognition of expended educational efforts.

In the field of corrective education of so-called criminal boys, a private school, the George Junior Republic, gets results with delinquent boys so superior to those of any State Reformatory that educators and social workers the world over come there to study the methods employed.

Dr. Maria Montessori is a striking example for the claim made here that practically all progress in education has come from sources other than the public schools. In her private experimental kindergarten in Italy, Dr. Montessori worked out the principles and details of her system of kindergarten and primary education which has enriched preschool and primary education throughout the world.

There are hundreds of thousands of private schools the world over which receive the support of thinking people because of the results, which are superior to those of the public schools. Quite generally these schools are hampered by a lack of funds, but despite this fact they surpass those that exist by reason of compulsory contributions from everyone. It is needless to enumerate examples of the advantages of private elementary education, for everyone knows that, in order to learn anything worthwhile — for example to *speak* a foreign language — most persons go to a private school; or to learn bookkeeping, they go to a business college (usually private). A child sent to a private institution learns in two or three years what it takes eight years to learn in the public school, with its laborious and authoritarian methods.

As regards the places of higher learning, the main contention of Mutualist against state or governmental education is just as true. They cannot, by their very nature, foster the education of free, fearless personalities. They exist to preserve the status quo, and are therefore forever fighting the dynamic forces among their personnel. The attempt of the War Department to introduce military training into secondary schools and colleges, and its actual success in making that subject compulsory in many cases, proves the Mutualists' contention. As regards actual scholarly accomplishments, there are fortunately already many private colleges and universities, technological institutions and special schools that are doing superior work.

It is true that many of these institutions, especially the denominational schools, are not exactly to the liking of most mutualists. But, as pointed out time and again, Mutualism is not a scheme to provide universal happiness according to the pattern of a few or of many persons, but merely one to give opportunity for anyone to achieve happiness according to his own fashion, as long as he does not attempt to

advocate of their doctrine. His earlier works are chiefly critical, but, in his later writings, which are more constructive, he formulated detailed plans for reform, such as mutual credit and possessory titles to land. In his book *The Solution of the Social Problem* (1848), the word "mutual" frequently appears, and in his last work, *On the Political Capacity of the Working Class* (1865), which was not published, until after his death, the terms "mutualists" and "mutualism" are mentioned constantly.

The word "mutualism" seems to have been first used by John Gray, an English writer, in 1832. In 1849, Col. William B. Greene, of Massachusetts, wrote a series of newspaper articles, afterward gathered and published under the title, *Mutual Banking*, in which he says:

"Mutualism operates, by its very nature, to render political government, founded on arbitrary force, superfluous; that is, it operates to the decentralization of the political power, and to the transformation of the State, by substituting self-government instead of government from without."

This is also Proudhon's theory, which he felicitously called "the dissolution of government in the economic organism."

In another book, published in 1875, entitled *Socialistic, Communistic, Mutualistic and Financial Fragments*, Colonel Greene points out the difference between Mutualism and Communism. Here is what he says:

"The first very marked step in human progress results from the division of labor. It is the characteristic of the division of labor, and of the economic distribution of tasks, that each individual tends to do precisely what the others do not do. As soon as labor is divided, communism necessarily ceases, and MUTUALISM, the negation of communism, and the reciprocal correlation of each to every other, and of every other to each, for a common purpose, commences. The march of social progress is out of communism into mutualism. Communism sacrifices the individual to secure the unity of the whole. Mutualism has unlimited individualism as the essential and necessary prior condition of its existence, and coordinates individuals, without any sacrifice of individuality, into one collective whole - by spontaneous confederation, or solidarity. Communism is the ideal of the past; mutualism, of the future. The garden of Eden is before us, as something to be achieved and attained; not behind us, as something that was lost when labor was divided, tasks were distributed, individualities were encouraged, and communism, or the mere animal and instinctive social order, had the sentence pronounced against it, 'Dying, thou shalt surely die'."

"Mutual insurance has shown, by practical exemplification, a little of what the nature, bearings, and workings of the mutualistic principle are. When the currency shall have become mutualized by mutual banks, and the rate of interest of money loaned shall have been brought down to zero per cent per annum, it will become possible to generalize mutual insurance, applying it to all the contingencies of life, so that men, instead of being, as now, antagonistic to each other, shall be so federated with each other that an accidental loss falling on any one individual shall be a loss to be compensated by all other individuals, while a gain accidentally

accruing to any one individual shall fall to the community, and be shared by all."

"Under the mutual system, each individual will receive the just and exact pay for his work; service equivalent in cost being exchangeable for services equivalent in cost without profit or discount; and so much as the individual laborer will then get over and above what he has earned will come to him as his share in the general prosperity of the community of which he is an individual member. The principle of mutuality in social economy is identical with the principle of federation in politics."

"Make a note of this last fact. Individual sovereignty is the John the Baptist, without whose coming the mutualistic idea remains void. There is no mutualism without reciprocal consent; and none but individuals can enter into voluntary mutual relations. Mutualism is the synthesis of liberty and order."

almost from infancy, to spend the best hours of the day, for two hundred days a year, throughout those most important formative years, sitting at a desk and learning a lot of largely useless information in a slow and uninteresting manner. Classes are usually so large that individual instruction is made impossible. Moreover, teachers often are men or women who, temperamentally and intellectually, are unfit to guide the young, but who have gone into teaching since they have proved, or were afraid that they might prove, failures in the business world, and have sought instead the security of a government job.

The public school with its mass education needs an inconceivable number of hours to impart even the simplest facts, because there is always a minority of obstreperous, lazy or backward pupils. That implies an endless repetition of all information until it must become familiar even to the most inattentive ear, so that most periods consist of mere drill rather than of instruction. This is torture, not only for the teacher, but for the pupils as well, especially for the more intelligent ones, for sometimes weeks will pass before new information is given out. What wonder if the students become bored, lose interest in school and run into mischief? This explains, too, why the most gifted pupils are usually the laziest in school, especially in the lower grades. Laziness is the weapon with which they protect themselves against the stultifying treatment. Very often, their laziness is not real; they may work outside and in spite of the school, but not at the things they are expected to.

With individual instruction, the talented pupil will need but a very small part of the time ordinarily allotted, to cover the entire school curriculum. For the process of memorizing the knowledge gained and of developing dexterity in its use he will not need the presence of a drill master. And private instruction, where the pupil accepts the information gratefully, where disturbances, antagonism, and laziness have no cause for existing, will bring joy to teacher and pupil alike. How rarely is this true of regular class instruction!

Private Educational Institutions

The advantages that would accrue if students received their instruction, not in the public school, but privately, in small groups, are many. Independence and initiative would be developed. The teacher would confine himself essentially to indicating the direction in which they should work. The students would have to create, as far as possible, their own materials for instruction; as making maps and reliefs for geography, gathering collections of specimens for the study of the natural sciences, constructing instruments and machinery for demonstrations in physics, collecting instructive pictures, and drawing, measuring, modeling and sketching. The most complete educational museum, with its expensive collections of every sort paid for out of State revenue, will not be able to accomplish half as much, as it will lack the intimacy and vitality attached to things the individual has actually worked hard for.

Private education, paid for directly and voluntarily by those who sympathize with or make use of the facilities of the particular school or institution, is the best means of providing for the child the training and the opportunities the parents desire it to have. Under present-day conditions, of course, the cost of such education is, for

out or "conditioned," as the behaviorist terms it.

As in the sphere of religion, such a state of affairs secures and simplifies the technique of governing the members of society. It suppresses criticism of the controlling force, and provokes a condonation of acts otherwise reprehensible. It is the ideal state of affairs for the bureaucrat, the official, the ones in power. Their intentions may be ever so good, as in the case of the Bolshevists. But they will not brook opposition, differences of opinion, or the existence of divergent interests. For the elimination of opposing ideas already existing, they use the jails, exile, or death, as did the church formerly. And, logically, the control of education is their main hope for the future; to prevent bothersome ideas or opposition from being formed, again following the illustrious example of the Church. And the public school system with compulsory education is, in modern times, the ideal means to this end.

If, instead of the communistic — yes, "communistic," however irritating the term may be — public school with compulsory education and tax support, there be imagined a society in which there were a complete freedom in education as there is now in religion, it is easily perceived that in this case the social attitudes and habit patterns would, on the whole, be entirely different.

It is true that there would still probably be certain groups who would prefer a collectivist mode of economic arrangements. And, under freedom, they would not be interfered with. The children trained in their schools would no doubt have largely a communistic attitude. But there would be some who would hold opposite views, and others with many intermediate ideas as to economic forms, all of whom would have their own schools. Thus there would be a plurality of social aspects which would come into healthy competition with one another. The result would be increased possibilities for the individual to make himself free from the selfish control of others and to find the happiness that he desires.

It is also quite probable that such a program will seem to lack definiteness in the eyes of many well-meaning people. But aside from the fact that individual Mutualists have very decided opinions as to the education of *their* children, it must be born in mind that what distinguishes the whole Mutualist doctrine from other proposals is precisely the circumstance that it does not want to force upon anyone any ready-made scheme for the whole conduct of people's lives, but that it will provide the largest possible freedom in all human conduct, including education, as long as such conduct remains non-invasive.

It is even true that, in contrast to the Russian Communist, the Mutualist will allow the same liberty to the most bigoted religionist. This attitude does not spring from any high esteem for religion, but from the consideration that Mutualists believe it to be necessary, in order to find out what is socially beneficial, that all shades of thought and belief must have equal liberty to develop and function.

The Public School System

The public school system of the United States is usually considered superior to most European compulsory school systems. But even at its best it shares a number of objectionable features with the others. Compulsory state education is avowedly an attempt to develop good and useful citizens. To that end, the child is forced,

IV
MONEY, CREDIT, INTEREST AND EXCHANGE

What is Money?

Free and equitable exchange is as much a requisite to the satisfactory functioning of human society as blood is to the human body. Of course, mankind will continue to struggle along somehow, as it has done in the past, no matter how much friction, and jamming, and overloading with monopolies and privileges may be brought about by a small ruthless group among its members; but in order that it may evolve into a free society, it will be necessary to remove all obstacles in the way of its evolution. Chief and foremost among those obstacles are the privileges and monopolies interfering with exchange.

The money problem is essentially very simple and easy to solve. That solution is the abolition of interest, which may be achieved when the issue of money is no longer monopolized through government privilege and when the basis for the issuance of currency is extended to other commodities than gold. But most learned professors of economics are either blind or else afraid to tell us what they see. At any rate, they have succeeded wonderfully in circulating such a host of misconceptions and misconstructions regarding this problem that the simple layman stares at it in utter bewilderment, unable to make up his mind one way or another. It will be necessary to dispose of some of these misconceptions before advancing a solution of the problem in detail.

What is money? How did it evolve?

Primitive man produced goods only for his own use. With evolution from that primitive stage came the division of labor. Production of goods was organized and distributed over a number of trades, resulting in increased efficiency and quality. But this system necessitated the exchange of goods, value for value. Such a method of exchange of commodities is called barter. Soon immediate barter ceased to be practical, and exchange had to become mediate.

To illustrate: a hunter wants to trade for arrows from the arrow-maker. The latter has already taken in trade as much meat as he can possibly use for his family. But he is in need of flint stones which the trader will bring in a fortnight. Therefore he will insist that the hunter must give him something in exchange which will represent the correct value but which is not perishable, so that he may keep it until he can utilize it in exchange with the trader. This something we call the medium of exchange. It may consist either of another commodity, in which case it should have the characteristics of compactness, durability, divisibility without destroying its

value, universal desirability, as certain kinds of metal, or it may consist of a tangible promise to furnish value at a time when it shall be possible and desirable — in other words, of an instrument of credit.

The medium of exchange is usually called money. Money might then be defined as "wealth or any symbol of wealth in such form as to assure its holder that it is readily exchangeable for other wealth seeking exchange."

To act as a medium of exchange, as a symbol of values merely, money need not have any intrinsic value. All that can logically be required of it is that it shall actually represent value. The material of which it is made is of little importance. Paper money (bank-bills, drafts, checks, bills of exchange) serves the same purpose as money of gold or silver. What is of importance is the absolute guaranty behind the money. However, the guarantor might be any responsible private individual or group of individuals just as well as the State. But, if any factor of doubt enters into the guaranty, the value of the money decreases just to the extent in which the doubtfulness of the guaranty increases, whether the guarantor be a private organization or the State. The best illustration of the truth of this statement is the case of European currency after the World War, which will be referred to more fully below. As its redeemability decreased, its value correspondingly decreased also.

What is "cheap" money? Some economists speak of "cheap" money, meaning money low in value as compared with other things. Thus, money is said to be cheap when prices are high, as in 1920, and dear when prices are low, as was the case in 1897. Mutualists, however, agree with the more logical conception which calls money cheap when the interest rate on it is low, and dear when the interest rate is high, apart from its purchasing power. The amount of interest which money commands does not, in the ultimate analysis, depend so much on the amount of money in circulation as it does on the conditions upon which it is issued. The money monopoly which exists today has been created and is being sustained by the fact that, by government decree, gold has been made the sole basis of issuing money, and by the promise, to redeem paper money in gold on demand.

The Gold Monopoly

There is much confusion of ideas as to the true function of gold. Few writers on the subject seem to realize that gold performs two entirely separate and separable functions in connection with exchange. In the first place, gold is the standard of value, that is, the denominator in which the comparative values of all goods and services are estimated and expressed. For this function it seems very well adapted, due to its relative stability in value as compared with other commodities. This function, however, it can perform without actually coming into the possession, of the borrower or lender, the buyer or seller - in other words, without being at all actually used except as a measure "for reckoning," as Aristotle suggested many centuries ago. But, in its other function, as the sole basis of security upon which paper money is to be issued, gold has been one continuous source of trouble and disaster. This latter function could be fulfilled much more satisfactorily by other commodities than by gold alone, as shall be presently seen.

In examining the Federal laws concerning the subject, we find that the

admirable instruction, taught their pupils to accept unquestioningly the dogmas of the Catholic church. American elementary schools teach the children to become 100 per cent Americans; i.e., to believe that America is God's own country, its Constitution divinely inspired, and its millionaires models of Sunday-school virtue. English elementary schools teach that the British Empire is great and beneficent, that it has never oppressed India, or forced opium on China, that it has been invariably humanitarian in Africa, and that all Germans are wicked. Russian elementary schools teach that Communists are virtuous, Anarchists wicked, and the bourgeois misguided; that the social revolution is imminent throughout Europe; and that there cannot be any imperialism in the Communist party because all imperialism is due to capitalism. The Japanese teach that the Mikado is a divine being, descended from the sun goddess; that Japan was created earlier than other parts of the earth; and that it is therefore the duty of the Chinese to submit meekly to whatever commands the Japanese may lay upon them. I understand that similar doctrines are taught in Uruguay, Paraguay, and San Marino, each of which is especially favoured by Heaven and vastly more virtuous than its neighbors. In short, wherever a sovereign government exists, it uses its monopoly of the teaching of writing and reading to force upon the young a set of ridiculous beliefs of which the purpose is to increase their willingness to commit homicide ... The text-books out of which history is taught are known by every education minister in the world to be deliberately and intentionally misleading, owing to patriotic bias. It is not merely that the history taught is false; the really bad thing is that its falsehood is of a sort to make wars more likely."

The final aim of Mutualism in education is to see the forming of self-reliant, fearless individuals, who are able to do their own thinking and to shape their lives according to their own ideas. To any other scheme such a program would be suicidal. Mutualism will thrive under it. An unbiased, frank attitude toward life and all its phenomena, fearless uttering of one's' findings, self-reliance in social contacts, opposition to external authority of individuals or an aggregation of them — such will be the results of freedom in education.

Of moral — that is, social — precepts, Mutualism has only one, and that one is negative. It is as old as the philosophy of Confucius and better than the Christian, positive version of it. It reads as follows:

"Do not do unto others what you would not have them do unto you."

It is remarkable how fully modern discoveries in the field of individual and social behavior corroborate the truth of the old Jesuit maxim: Give us complete control of the child up to its seventh year, and you can have it thereafter; the implication being that it is practically impossible to break down the habit formations and, more particularly, the emotional and intellectual attitudes formed in early life under such efficient practical psychologists as the Jesuits were. It is quite possible that, with complete control of the environment of individuals by such an agency as the Communist State, habits of unthinking obedience may be trained in the individuals that will bring their social behavior close to slavery - a slavery in one sense voluntary, because the spirit of self-determination will have been crushed

VIII
EDUCATION AND THE ARTS

The hue and cry among political and economic radicals is for free education. By that they mean an education furnished free of charge. But that is not at all desirable, as it is not equitable. It would have to be paid for somehow, if not by beneficiaries or sympathizers, then by society at large, and this latter method implies taxes and forced contributions by individuals who may be entirely out of sympathy with that particular form of education, and decline to make use of it. It furthermore implies the existence of the evils inherent in compulsory state education, in direct proportion to the strength of the particular form of government in control.

Compulsory education can no longer be supported on the old argument that people do not appreciate the value of schooling. The tendency today is in just the other direction. People on the whole overestimate, rather than underestimate, the benefits derived from compulsory schools. If today compulsory education were dropped, it need not be feared that people would keep their children out of school, provided that living conditions were not too adverse. This would especially hold true if schools existed in which children could learn things worthwhile.

An ever-present by-product of any state controlled school system is the inculcation in the child of worship and glorification of the particular state (be it Monarchy or Communism), of obedience and blind submission to its laws, the imparting of strictly censored and limited information, withholding anything which might arouse a suspicion in the child that "all's not right with the world", and the creation of false standards of morality which shall tend to make those in power more secure.

Bertrand Russell, in *Prospects of Industrial Civilization*, says:

"In the course of instruction, the schoolmaster has the opportunity to instill certain mental habits. It is here that disagreement begins: what mental habits shall he teach? There are all sorts of possibilities. Jesuits, in the process of giving

government:

First: Defines a dollar to be 23.22 grains of pure gold.
Second: Buys, at $ 20.67 per troy ounce, all the gold bullion offered to it.
Third: Coins this gold into money.
Fourth: Declares this gold coin to be legal tender.
Fifth: Makes this gold coin the only basis for the issue of paper money.
Sixth: Promises (with some exceptions) to redeem the paper money in gold on demand.

As may be inferred, Mutualists have no particular fault to find with the government for defining the dollar. It is necessary that some standard of value be clearly defined. Unless a definite commodity is made the standard of value, money is impossible. The failure to understand this simple economic truth has given rise to much confusion of thought on the subject, even among the greatest writers. John Stuart Mill, quoting Montesquieu, cites the African macute as an ideal [i.e. abstract] standard not measured by any concrete object; but recent investigation has shown that the macute represents a definite, though probably variable, number of cowrie shells (at one time 2000), and in consequence is no ideal [i.e. abstract] measure at all.

The American dollar was taken from the Spanish milled dollar and was also supposed to be an ideal measure until it was found to be 412 1/2 grains of silver. Unfortunately, the advocates of irredeemable paper money and the believers in the labor and multiple standard of value cannot be made to understand this; thus, in spite of excellent intentions, they merely help to aggravate an already serious situation by injecting more confusion into this sadly befuddled branch of economics. Gold is the best known of all commodities. It has the advantage over other commodities of possessing to the highest degree the following qualities: homogeneity, divisibility, cognizability, and indestructibility.

Because of the last named quality, the quantity of gold, measured by its value, is comparatively greater than that of any other single commodity. The wheat that is now in existence has been grown within five years; a failure in the wheat crop greatly affects the price of wheat because the amount produced each year is so large a fraction of the whole existing stock of wheat. The same is more or less true for other commodities. But gold has been accumulated for thousands of years and the quantity mined annually is very small in proportion to the whole stock of gold. Gold has fallen 50 per cent in value in thirty years. A bumper prop of wheat has reduced the price of wheat 50 per cent in one year. Those are the reasons why gold, so far, seems best adapted to be the standard of value, and can well continue to be such until a better standard is found.

The government now buys all the gold that is offered at its mints at $ 20.67 an ounce, coins it into money and makes it legal tender. But fixing the price of gold is not fixing its value. Value is an exchange relation between two things, and it is only after they have come together in the market in the act of exchange that we can learn the value of commodities. The miner who digs gold out of the earth and takes it to the mint receives money for it; but not until he attempts to buy goods with the money does he know how much it will buy. The Cripple Creek miner who took an

ounce of gold to the mint at Denver and sold it to the government in 1896 received $ 20. 67 for it. The miner who takes an ounce of gold to that mint today also receives $ 20. 67. The *price* is just the same, but the miner of today can buy only one-half as much goods with an ounce of gold as could the miner of 1896. The value of gold has fallen to one-half of what it was thirty years ago.

Due to this fall in value, many gold mines became too expensive to be worked and had to shut down. The population of the Cripple Creek district has fallen to a small fraction of what it was when gold was high. A rise in the value of gold would reopen some of these mines that cannot now afford to operate. The gold miners of the United States did not get rich during the past thirty years; for it is not selling gold that makes men rich, but lending gold; and it is the banker, not the gold miner, who profits principally by the exclusive gold basis.

There is no particular objection at this time to the use of gold coin for facilitating exchange, except that the expense of coining is quite unnecessary. It is a fact that even now an ounce of un-coined gold has the same value in world trade as an ounce of gold coin, which is one of proofs of the superfluity of gold as coined money. It is the exclusive gold basis, as decreed by the State, to which Mutualists object. If the gold basis and the system of using it to redeem paper money on demand were abolished, the use of gold in connection with banking and with paper money would fall from 40 per cent of the paper money issued (which the law now requires) to perhaps 1 per cent; and in time even this per cent of gold in proportion to paper money would not have to be coined. Once the gold basis is abolished and quantities of gold now needed for reserves are set free and the use of gold reaches the small amount indicated above, the fluctuations in the value of gold will grow less.

The Profits of Banking

The reasons why banks are able to make such large profits are that the State permits only one basis of value for the issuance of money, namely gold; that it further usurps the exclusive right to issue money on this one basis and to lend this money to the banks at a small rate of interest against security which is largely furnished by the bank's customers; that it prohibits the issuing and loaning of current notes (no matter how well secured) by anybody but a lawfully organized bank, with penalties ranging from fine to imprisonment. By the Federal law the fine takes the form of a ten per cent tax upon the notes circulated, which, of course, acts as a complete prohibition.

Thus is established the money and banking monopoly which, by eliminating competition, makes it possible for the financier to exact interest for lending, not his own capital, but merely a claim to capital which is secured by the borrower himself. How profitable this business is, is shown by the fact that the First National Bank of New York earned 140 per cent on its capital in 1925; its stock has gone up to $2,950 for a share having a par value of $100. According to the *Financial Age*, a Wall Street paper, forty-nine New York banks averaged fifty per cent dividends in 1925.

While considerable space has been devoted here to a discussion of the profits

voluntarily in whatever way they may choose; or to remain isolated and apart, and even to refuse to participate in any associative activities, if they so elect, it being understood that no such person is to benefit from the associative efforts without payment therefore, unless, in the nature of things, there is no way to segregate the advantages accruing from the collective operations.

Society, under Mutualism, interferes in no way with the private affairs of men and women. Individuals are left free to enter into any contracts they may wish to make, and they are also free to associate without the formality of contracts, and for any purpose whatever, whether it be social, commercial, industrial, or sexual. As long as those acts are of a non-invasive nature, society has no concern with them whatever, and Mutualism will tolerate no interference with such acts.

Children, being the product of the bodies of their parents, are just as certainly the property of their parents as is the product of the latters' labor, and, under Mutualism, such property rights will be so recognized, until the children have reached the age when they are competent to contract for themselves and to decide whether they will accept the guardianship of their parents or that of some one else.

It should never be forgotten — what the Catholic Church has so clearly demonstrated — that the education of children is the most important factor in determining the course of future events. "As the twig is bent, so the tree will incline" is as true today as when it was written.

One of the principal things in the positive education of the child, then, is to make sure that it has an open mind. What is instilled into the child mind is not as important as that the mind be left open to receive when the time comes for it to make an intelligent choice. It is important that the child be left free to accept or reject what is offered to it; but it is still more important that it should have its powers of perception so developed that it may be able to choose with discrimination. That training must come from the parents — or their representatives; it must not be left to chance acquisition.

unquestioned or an indisputable right of some kind that is inherent in the individual when he is born. If that were really true, then the right of might could not operate against it. In order that the right of might could not so operate, the inherent or natural or inalienable right would have to be of such a nature that no force could overcome it. Merely to state the case in that way is sufficient to show the nonsense of the notion that there can be anything superior to the right of might; unless there is some metaphysical meaning attached to those three adjectives that is not fathomable by the finite mind.

The real truth of the matter is that, since there is no right superior to that of might, all other rights, of whatever nature, exist only by sufferance; in other words, by contract or agreement. For certain considerations (such as the desire for peace and tranquility and other things that make for happiness) the strongest have agreed to yield, in certain fields, their prerogative; they have consented to forego the privileges which their strength assures them — and thereby there come into existence the elements of modern society.

It should be emphasized that the term "society," as used herein, refers to that social organism which, in its abstract sense, implies the union or sum of relations by which they individuals of any group are associated, and not to that political organization known as "government" or "state." The difference between the two is fundamental and vital, and, if not clearly distinguished in the mind of the student, serious confusion of thought will result. All political states and governments are founded on physical force, and, as explained in Chapter I, are necessarily aggressive and invasive in character. Considering their origin and functions, they must be of that nature in order to survive.

Society, on the other hand, has no such origin and has no such functions. Out of it may issue and from it may be adapted any organization that, in the course of evolution, may arise. Society, then, as thus defined, is constituted of myriads of compacts, both express and implied, which are supposed to enable all, regardless of individual strength, to live in peace and harmony, since all recognize, more or less clearly, that that is a necessary condition of happiness. And so Mutualists, since they are keenly aware of this fundamental condition, are concerned with what they consider to be the best adaptation of means to the end.

Accepting frankly the ethical concept outlined above, they hold that they have devised a social system that will conform in the best possible way to all the conditions of modern life, since it is based on equal freedom and reciprocity and the sovereignty of the individual over himself, his affairs, and the product of his labor, to be realized through individual initiative, free contract, and voluntary association.

Mutualism means that there shall be no coercion by society of any person who commits no antisocial act, and that all the collective affairs of society shall be conducted by voluntary associations, wherein payment shall be made for services rendered, and for nothing else.

Mutualism Not Meddlesome

In the realm of purely personal affairs, Mutualism likewise provides for perfect liberty between individuals, leaving them always free to associate themselves

of banking, the reader must not suppose for a moment that the sums paid to the bankers in interest are the big item. The profits on all capital — that is, the increase that all industry of every kind, be it manufacturing, mercantile, farming, or what not, receives as its profits — are multiplied through the addition of interest at every point of exchange. The consumer pays interest charged into the price at every step in manufacture and distribution. The bankers' profits are the cause of all other profits, and the reduction of the bankers' profits, through the abolition of interest, will by the same token decrease all other profits.

But the gain to the public does not stop here. The distribution of all the interest of bankers and bondholders and money lenders generally, and all the profits on capital just mentioned, are a bagatelle when compared to the amount the public would gain were industry permitted to operate at full capacity. Herbert Hoover, certainly a conservative authority, estimates our present output at about one-fourth of what it could be. Calculated on that basis, our present (1918 - 23) annual product of $ 64,000,000,000 can be increased to $ 256,000,000,000. If these figures are hard for the reader to visualize, let him, if he is engaged in productive work, imagine his annual income increased, without any extra exertion on his part, to four times its present sum. If he is a common laborer earning $ 4 a day at present, such an income would be $ 16 a day.

This is the answer to the objection always made, when better conditions are proposed, that dividing the annual income equally would give very little increase to the worker who is now so poorly paid. An arbitrarily equal division of all incomes would be a trifle compared to a fourfold increase in his present wage equitably earned and received.

The value of gold is determined by comparing it with a number of other products. To make the value of gold uniform, Professor Irving Fisher advocates what he calls a "Compensated" dollar. He would make the number of grains of gold in the dollar vary with its purchasing power. If gold decreased five per cent in value within a certain time, there should be added five per cent to the weight of the dollar; and, correspondingly, if gold increased as much in value, the corresponding percentage of weight should be deducted from the dollar. When gold is no longer the sole basis, but merely the standard of value, such adjustment will not present any material difficulties, as it will then be only a matter of book-keeping, currency being of the credit variety without any commodity value. If the variations in the value of gold should prove great enough, after it has ceased being the sole basis of currency, some such plan could be adopted.

What Is Interest ?

Interest is the price paid to the lender by the borrower for insuring and giving currency to his credit.

The temporary exchange of fixed credit for circulating credit is really the whole transaction, and in the illustration of the farmer, given below, the process is described in detail.

But, if the tremendous cost of interest to the producer, together with the hampering of industry by present credit restrictions, be compared with such losses

as result from changes in the price level, the latter are so nearly negligible that they may be excluded from the attention of Mutualists, until such time as production may feel the full effects of the abolition of interest and all imperishable wealth is made the basis of monetized credit.

How economically wrong and absurd this exaction of interest is can well be shown by the following illustration: If John Alden, of Pilgrim Father fame, back in 1626, had lent the equivalent of $ 100 in coin to Miles Standish, at five per cent per annum, to be compounded annually, principal and interest to be paid to his heirs after three hundred years, the heirs of Miles Standish would now have to pay John Alden's heirs the sum of a little more than $ 100,000,000 for the privilege of having had the use of $ 100 for 300 years. The computation is mathematically correct and serves to demonstrate the antisocial nature of the exaction of interest.

Professor Frederick Soddy, one of the most distinguished and certainly one of the bravest of British scientists, lately astonished the scientific world by advocating the absolute abolition of interest as the only alternative to the destruction of civilization.

Several years ago, after a visit to Muscle Shoals, where, in the company of Henry Ford, he talked over the farmers' problem, Thomas A. Edison, the; greatest inventive genius of modern times, drafted a plan by which the government could lend money to the farmer for a period of one year without interest charge, to be secured by farm products. The plan was to operate as a sort of auxiliary to the Federal Reserve System.

The fact that two such great minds, in different countries and with different environments, but at almost the same time, reach the epoch-making conclusion that the necessity exists for the abolition of interest must produce a profound impression on all thinking people. If financial circulation could be effected at a rate of discount representing only the cost of administration, drafting, registration, etc., the cost of producing goods would decrease enormously, while at the same time, for reasons which will be gone into later, wages would rise to a point approaching and eventually becoming equal to the worker's full product.

Benefit to the workers

The workers for wages are apt to say: "We borrow no money, and therefore pay no interest. How, then, does this squabble concern us?" In Reality, it is exactly the class that has no dealing with the banks, and derives no advantage from them, that ultimately pays all the interest money that is collected. When a manufacturer borrows money to carry on his business, he counts the interest he pays as part of his expenses, and therefore adds the amount of interest to the price of his goods.

The consumer who buys the goods pays the interest when he pays for the goods; and who is the consumer, if not the public at large, composed chiefly of the workers for wages?

If one manufacturer could borrow money at one per cent, he could afford to undersell all his competitors, to the manifest advantage of the consumer. The manufacturer would neither gain nor lose; the man who has no dealings with the bank would gain the whole difference. And the bank which, were it not for the

have struck work or who are otherwise undesirable; and various employers combine to use this list in order to coerce labor. In such instances nothing is heard from the courts concerning "conspiracy" or the secondary or tertiary boycott, although these latter are frequently used to compel recalcitrant employers to join in the blacklisting proceeding. And it should be added that no one has any more right to complain about the blacklist than about the boycott. They are practically identical and neither is violative of the principle of liberty. The courts, of course, should be consistent in their treatment of both. But that would be a little too much to expect of institutions that are, so often, biased in favor of privilege.

It is interesting to note in this connection that in England, where personal liberty is appraised more highly than in the United States, no legal decisions have been reported against the use of the boycott, while in this country there are two notorious and unsavory examples — Buck Stove Company *vs*. The American Federation of Labor, in which the officers of the federation were found guilty, in the District of Columbia courts, of violating an injunction against advertising the fact that the federation considered the stove company "unfair"; and the case of the Danbury hatters, wherein the United States Supreme Court affirmed a decision of the lower court that the hat company might collect damages from the individual members of the trades union that instituted and carried out the boycott against the company that refused to accede to the terms of the workmen. The hat company was permitted to attach the bank savings, personal property and real estate of the members of the union in satisfaction of its judgment. No account is available of the final success of this undertaking, but for sheer robbery nothing is comparable in the annals of modern court procedure.

As suggested earlier in this chapter, the boycott, and its companion, ostracism, may be utilized as punishments for crime, and also as crime-deterrents. Under certain circumstances, they may constitute a most drastic penalty. On account of the gregarious habits of human beings, to be put wholly beyond the pale of society would be more painful to many than to be incarcerated in a prison with others. To inflict such punishment has many advantages for the defensive organization that makes use of it. It is simple; it is easily and inexpensively applied; it involves, theoretically, none of the elements of physical force; and, above all, it is not in itself an invasive act. What more ideal method of correcting the erring tendencies and anti-social activities of our fellow-men can be conceived?

Since the boycott is purely voluntary association for noninvasive purposes, and since it is at once a distinctly libertarian weapon and the most perfect example of passive resistance, it is, when necessary, an eminent part of the Mutualistic program.

Rights Not Natural or Inalienable

In discussions, such as this, in which ethics is mingled with politics, the word "rights" is often loosely and vaguely used. Fundamentally and elementally, of course, there is only one right - the right of might.

To talk about "natural" rights and " inalienable" rights is to talk about something that does not exist. To speak of natural rights implies that there is an

secondary boycott is where one person is boycotted for not joining in the primary boycott. Now, precisely the same conditions exist in one case as in the other. If a person has a right to withhold his patronage or his labor from another for one reason, he has the same right so to conduct himself for any other reason — or even for no reason.

Therefore, to put the matter in concrete form, if John Doe does not like a certain grocer, he may withhold his patronage. He may also, with perfect propriety, ask his butcher not to patronize that certain grocer; if the butcher declines to join him in that boycott he may withdraw his patronage from the butcher. And, in order to make his boycott of the butcher effective, he may call upon his baker to assist him in boycotting the butcher; if the baker likewise proves unwilling to participate, he may boycott the baker and request his druggist to withdraw his patronage from the baker — which would be the tertiary boycott. And this course might be extended indefinitely.

The elements in each of these procedures are identical. In no case can any of those tradesmen mentioned establish any right to the patronage which has been taken away from him. Therefore, no wrong has been done him. He has been deprived of no-thing to which he has the slightest claim. Therefore, while he may correctly allege that he has been coerced; while he may rightfully assert that his business has been injured; and while he may be pardoned if he feels angry at his customer, he cannot justly charge that any of his rights have been invaded.

The courts, in discussing cases similar to the one cited above, make the point that the grievance, or whatever it may have been that induced the original individual to boycott his grocer, is entirely lost sight of in the subsequent secondary and tertiary boycotts, and that the persons involved in these latter boycotts have no concern with the original motive, and that therefore it is an injustice to force them to participate in the controversy. All of which may be true — except the injustice.

It must be reiterated that there can be no injustice when nothing has been done. And in not one phase of the case cited has any overt act been performed. In each and every instance of the pressure brought to bear, there was merely a declination to act — simply a letting alone. How silly it would be for one of those tradesmen to complain that it was unjust to let him alone! And yet that is precisely what he says, in effect, when he alleges that he has been done an injustice when a customer refuses — for no matter what reason — longer to purchase goods from him.

Another thing that the courts declare illegal about the boycott is the threat to withdraw patronage from a merchant or the threat to cease working for an employer. They forget, since it suits their purpose for the time, the axiom that a person has a right to threaten that which he has a right to execute. Since a refusal to buy or a refusal to work is in no sense an invasive act, it certainly cannot be invasive to threaten to refuse to buy or to threaten to refuse to work; and no amount of judicial sophism can make it so.

In this discussion of the boycott as a libertarian measure, stress has been laid upon its employment by labor against the employer, since refusal to work for any employer is invariably coupled with a refusal to purchase his products and with an effort to induce others to refuse to patronize him. But it is a game that two can play at; it is not wholly one-sided. Employers often resort to the same measures, in creating and maintaining a blacklist, which contains the names of employees who

forcing down of the interest rate by the competition of the Mutual Bank, would have loaned the money at seven per cent interest, would lose the whole difference. It is the indirect relation of the bank to the people as consumers, comprised largely of wage workers, and not the bank's direct relation to the manufacturer and merchant, that enables it to make money.

Power of Interest

Sometimes the argument is advanced that the bank must charge interest in order to be compensated for its services. But it has been amply demonstrated that the cost of the services which the banks give to the public amounts to less than one per cent.

But the profits of the banks do not consist merely of this difference between one per cent, which is the cost of operating them, and the six, seven, or eight per cent which they are charging on loans of their own money. By permission of the government the banks can issue credit money which exceeds their actual capital many times in amount, and on which they also rake in the interest just as if this credit money were actual capital, actual commodities, which they were lending out. At the present time bank credit forms about seven-eighths of our currency circulation. The government's part in finance covers only the gold and redeemable paper money issued, which comprises the other eighth. The banks control and regulate this seven-eighths; and it is admitted that the men who conduct the forty thousand banks in the United States have to use all their knowledge, experience, and skill, in order to decide to whom, in what amounts, for what length of time, and under what circumstances this credit shall be extended.

The power of interest to eat up everything is so great that only the failure of individual enterprises, thereby wiping out debts, makes it possible for the system to go on at all; and, but for those individual bankruptcies, the whole system would have fallen to pieces long ago — that is, universal bankruptcy would have ensued. Proudhon called this condition the "miserable oscillation between usury and bankruptcy."

Price Level Theory Awkward

Proposals to keep the monopoly of money in the hands of the government and to regulate the issue of money in accordance with the price level - increasing or decreasing the issue to make its average purchasing power uniform — are awkward schemes for trying to adjust from the center, through a clumsy and inefficient government, what the banks can do easily and effectively at the circumference.

The currency of the United States amounts to only, $ 7,000,000,000, of which $ 4,000,000,000 is in gold or redeemable in gold. The banks can at best have but a small part of this currency on deposit; yet, by means of bills of exchange, drafts, checks, and clearing houses, they have made it possible for a small amount of money to effect an incredibly large number of transactions. Their deposits run above $40,000,000,000, and every year the colossal sum of $ 700,000,000,000 in

checks is issued and passes through the clearing houses.

Not *More* but *More Flexible* Currency Needed

It is not so much more currency, but more flexible currency which is needed — a currency which can be had for the mere cost of issue, without interest, and which will naturally expand or contract as the need for more of it increases or decreases. Such a currency can be realized through the Mutual Bank. It will be a credit currency pure and simple, not redeemable in coin of the realm, but secured by tangible values nevertheless.

Mutualists contend that the issue of money should be free to respond to the demands of industry and business, as is the production of other things. This means that more credit is needed than can safely be based on the one commodity — gold. But it does not follow that a great quantity need be issued. In fact, the amount of money in circulation at present in the United States would be ample for all purposes, if the system of issuing it and retiring it were a free one, which responded quickly to supply and demand.

What is of the utmost importance is that the price for the use of this money or credit shall fall to cost; that the rate of pure interest shall be zero per cent per annum, no matter how much nor how little money there is in circulation.

Value of Paper Money

At this point the incorrigible pessimist will smile and say: "Credit money? Paper currency? And not even redeemable in gold? Nonsense! It has never worked and it never will work. Just look at the financial mess in Europe, especially in Germany, several years ago!"

But why hold up only the disastrous results of some earlier experiments "along that line" as proof positive of the need of gold as the only valid basis for all kinds of security? The trouble with those experiments was that they were not along that line. The critics are strangely silent regarding paper issues which have succeeded, and succeeded dangerously well, even though no gold was promised on demand.

United States treasury notes, at the present day, are not redeemable in gold; but, as they are receivable by the government in payment of certain taxes; and, since taxes must be paid every year, they remain at par with gold and with the other paper money for which redemption in gold is provided. This serves to illustrate the important fact that paper money which is at all times receivable for something of definite value, or which can discharge an obligation which must be paid, will circulate at par with notes redeemable in gold on demand.

In examining the causes underlying those experiments which failed, we usually find that the issues were made by the fiat of government. Sometimes no promise was made to redeem them. At other times a promise, more or less definite, was made to redeem them with new notes. These issues were legal tender and all creditors had to receive them at par, in full payment of debts owing to them.

An excellent example of this sort was furnished by Germany four years ago,

A potent instrument for protection and defense, and one which is at once both libertarian and capable of mutualistic employment, is the boycott, so called because of the fact that it was first made use of (by the Land League in Ireland in 1880) against a landlord's agent by the name of Boycott.

First used by the weak in a contest with the strong, and more frequently since that time by labor organizations in controversies with employers, it has been attacked by the representatives of privilege as a reprehensible thing. It has been almost universally condemned by the courts, and denounced from the pulpit, and it is particularly distasteful to the police, who are always at a loss to know what to do to persons who refuse to use violence and who persist in going quietly about their own business. The lexicographers, too, are prone to anathematize it in their definitions, asserting that it is an instrument for persecution and oppression. And yet it is the only weapon that cannot be used invasively!

The reason for this is that the boycott is not an act; it is merely the refusal to act. Now, how can a refusal to act (in the absence of an express agreement or contract to the contrary) be construed as an invasion? To boycott a person is merely to let him alone; to refuse to trade with him; to refuse to have anything whatever to do with him. Now, before it can be maintained that a person can be wronged by such a refusal to associate with him, the following question must be answered: By what right can he demand such association? In other words, how can there be an assumption that there is any obligation so to associate? There is but one answer, and that is that there can be no such right, and no such assumption can be entertained. To assert the contrary is to make it necessary for the person boycotted to establish his right to the patronage, or the labor, or the society, as the case may be, of the boycotter. Let him do it if he can!

Now if a person may rightfully let another person alone, he may just as rightfully combine with others in his inaction. It is difficult to see how, if a person may go into his house, shut the doors, pull down the shades, and refuse to step off his premises, and still not invade the right of anybody, it becomes a crime when some of his friends agree to follow his example at the same time. So, logically, the so-called law of conspiracy cannot apply to acts that are not performed. There must be an overt act — which cannot come within the scope of a boycott — before it becomes more serious to act in concert with others than it is to act alone.

If a tradesman has no established right to the patronage of a client, or an employer has no contracted right to the labor of an employee, the tradesman has no greater right to the patronage of a thousand clients, and the employer has no greater right to the labor of a thousand employees. The courts are not sustained by right or common sense when they decide that a number of persons may not combine to do what they may properly do singly. Because, if it were true, it would prove too much. They would logically be bound to decide that it is as much murder for an army to shoot down a number of men as it is for a single gunman to shoot down one.

It has been the habit of the courts and other supporters of predatory wealth to denounce more severely the secondary and tertiary boycotts than the primary ones. This contention has no weight or justification in fact. Since it has been shown that the boycott is only *abstention* from action, and that it can never be invasive of anybody's rights merely to abstain from performing an act, it can make no difference whether that abstention is primary or quaternary. In practice, the

retarded development of commerce and industry in many lines.

The late Stephen Pearl Andrews, in his illuminating book, *The Science of Society*, gives an instance of a private corporation performing the government's work when the post-office department was demoralized by the destruction of a bridge. An express company (a private corporation) immediately restored its own service and for a whole week had to supply the mail service that the government was unable to provide, the postmaster-general himself being obliged to rely upon the express company for the delivery of his own mail. Such instances have multiplied to such an extent that it has become an axiom that what the government does is done with almost uniform inefficiency.

To do without the State does not at all terrify those who are familiar with pioneering conditions in new countries. In such localities and under such conditions, the government, locally, is likely to be extremely weak, due to the sparseness and poverty of the population. The framework of the institution is there, of course, and it functions as well as it can, levying taxes and pursuing its other invasive activities as best it may; but as a protector it is impotent; and, furthermore, in the purely economic field, where it levies taxes for roads and other public improvements, the pittance that it receives from the few and indigent taxpayers leaves little that may be devoted to providing the improvements that are absolutely necessary to the existence of the population.

And right here is one of the best evidences of the workability of the principle of voluntary association, which is one of the fundamentals of Mutualism. After being bled by the government for as much cash as can possibly be raised, and receiving practically nothing in return in service (road building and other improvements), the settlers are obliged to donate in labor many times the value of even what the state has forcibly taken from them, in order that they may have the necessary public improvements. If, therefore, after having been robbed by the State, they still are obliged to associate voluntarily for the purpose of satisfying their collective needs, think how much simpler it would be for them to so associate without the intermediation — unnecessary and worthless — of this same State!

Despite the fact that there is an elaborate police department in every urban community, for the support of which all property owners are taxed, the service rendered by the State is so inadequate that (as was briefly pointed out in an earlier chapter) many businesses are forced to provide their own police protection. Were they to associate in mutual organizations, they could provide themselves with insurance — at cost — against burglary and molestation, without paying the exorbitant rates that burglary insurance companies of the ordinary sort now charge.

In fact, this principle might be extended to the whole population, or to such a part of it as might wish to participate in this, through the organization of mutual protective associations, and thus make the present kind of inefficient and uncontrollable police force unnecessary. When taxpayers find that they can get real protection for just what it costs, they will be loath to support the preposterous and extravagant thing that now goes by that name.

The Boycott a Non-invasive Measure

during the inflation period, when ten gold marks could buy enough paper money to discharge a debt of thousands of marks. This paper money was issued by the German government to an amount thousands of times greater than all the gold in the world. As the issues were increased and the probability of their ultimate redemption grew less; the value of the money decreased. This stimulated the issuing power to a still further increase of currency. But in such a case the rate of depreciation of the currency easily outruns the rate of increase of issue; that is, the value of the money decreases at an accelerated rate; and it becomes simply a matter of seeing how quickly the printing press can turn out the money, until the output reaches astronomical figures. The orgy continued until the value of the money falls practically to zero. An instructive fact in connection with these experiences is that the rate of interest, instead of going down with the increase in the quantity of money, always kept going up. A rate of 50 per cent was nothing unusual.

However, the promises that are usually made by our own bankers to pay depositors in money on demand, and the promises of the government, in conjunction with the banks, to redeem its paper money in gold on demand, are also absurd, though in smaller degree, since all paper money systems which promise redemption in gold on demand break down when that demand becomes general; and all are successful only in proportion as people waive the right to demand gold. Since we cannot get gold on demand anyway, if any number of us demand it simultaneously in exchange for paper money supposedly redeemable in gold, the question arises whether it might not be possible to make this waiver permanent and make all exchanges without the intervention of coin.

The old conception of the superiority of the commodity gold over other commodities in world trade has been blasted by the World War, along with many other long cherished theories. In the fall of 1915 the Austrian government gave permission to the Austrian Skoda Works for delivery of an order to Holland only on condition that Holland meet its obligation by making half of the payment in copper. And, since the spring of 1916, the Scandinavian countries have refused gold altogether in payment, demanding rather payments in those goods of which they had insufficient supply.

Successful Experiments

But before declaring definitely for any particular basis for a new circulating medium to be established, consideration must be given to some of those credit money experiments of the past, about which most text books on economics preserve deadly silence.

In his book *Rural Credits* (Appleton, 1914), Myron T. Herrick, American Ambassador to France, gives the following interesting information:

"Cooperative land credit was conceived and used in New England thirty-nine years before it appeared in Europe, while the land banks of some of the colonies antedated similar institutions in continental Europe by more than a century and actually practiced what had been attempted previously in England without success. As early as 1686 a plan for a bank to issue bills and give credit on real estate,

goods and merchandise was approved by the governor and council of the province of Massachusetts Bay, with the recommendation that such bills 'be esteemed as current money in all receipts and payments', even for His Majesty's revenues. This plan fell through in 1688, but the contention that land was better than specie as security for bills was persisted in and spread far and wide."

"Pennsylvania was the first colony to take a definite step. In 1722 trade had come to a standstill owing to the lack of an adequate medium of exchange. Four or five rich importers had bought up and engrossed the staples of food and wear. They sold them back at high prices, and thus got hold of all the hard money, which they loaned out at eight per cent and placed most of the trades people in their debt. Many failures and general distress resulted from this oppression, to meet which the government founded the Public Loan Office, managed by four official commissioners to which was given the power to emit bills."

"These bills were drawn without interest in small denominations, the largest being $ 100, and they were issued only to borrowers, who had to give a promissory note with bond for judgment repayable in twelve annual payments at five per cent and secured by mortgage on land worth double the amount of the loan. No borrower could obtain less than $ 100 nor more than $ 1000 of these bills. The office was inspected by a committee of the legislative assembly, and accounts were settled every six months. 'It is inconceivable', says history, 'what prodigious good effect immediately ensued on the affairs of the province. Commerce revived with England, Scotland, and Ireland. The poor middling people, who had lands or houses to pledge, borrowed from the Loan Office, and paid off their usurious creditors, and the few rich men had to build ships and launch in trade again!' Having accomplished its object and broken up the money trust, the office went out of business after its bills were all redeemed."

After the Loan Office had demonstrated the beneficial effect of a medium of exchange based, not on metal, but on "real estate, goods and merchandise," in other words, on any property which furnished sufficient security, it is pertinent to ask why the government went back to the previous inadequate metal basis. Was there, perhaps, some fear that the success of one heretic idea might start the people thinking? If other commodities than metal could be used as a basis of currency with startlingly good effect, might not people want to go a step farther and insist on utilizing their own credit capacities for the issuance of their own currency, thereby destroying the government monopoly? That such fear would not have been, unfounded is shown by other contemporaneous efforts along these lines.

To quote Ambassador Herrick once more:

"In 1730 or 1732, sixty-one influential land owners of the colony of Connecticut obtained from the assembly a charter for the New London Society United for Trade and Commerce. They paid for stock subscribed by giving their promissory notes due in twelve years at five per cent, secured by mortgages on their lands. The Society was authorized to emit bills without interest against these secured notes, which it agreed to accept as money in all payments to it. In other words, the society operated solely with credit capital and the only borrowers were its stockholders, who had control of the management. This was cooperative land

What these Mutual Insurance companies have done is conclusive proof of the efficacy of Mutualism in other departments of industry and commerce. If fire and life insurance, through mutual associations, can be supplied at cost, there is no reason why any other protection may not be supplied by the same means on like terms. Mutual insurance companies not only distribute fire losses among the insured, but they also actually prevent fires, since all properties insured are under the supervision of the company's inspector, whose business it is to see that in the first place the owners avail themselves of the best methods of fire prevention, and of the most efficient means of extinguishing fire, should it get started.

This insurance idea is capable of extension in a multitude of directions. As Lloyds (the great English insurance company), who insure every imaginable sort of risk, have amply demonstrated, there is practically no enterprise or venture that may not be covered by this great blanket of protection, the particular merit of which lies in the fact that it is wholly private and voluntary and not in any way operated or supported by the government. It is purely the result of the voluntarily associative effort of individuals.

As an instance of its operation, there may be cited the existence in England of an association that, for a consideration, inspects and passes judgment on the construction of buildings, so that any person, who may be building a house or buying one already built and who knows nothing about the technical factors involved, may obtain information and advice about a proposed building or one already constructed.

This service could conceivably be extended to the insurance of such persons against losses arising from defective or inadequate construction of any building inspected and passed upon by such an association. This would take the place of cumbersome, bureaucratic building ordinances, and would be more efficient and reliable, since the very existence of the association would depend upon service being rendered cheaply and dependably.

The title insurance company, as it exists in many parts of the United States, is a conspicuous example of the successful rendering of a like service. After a title to real estate has been perfected to its satisfaction, the company will insure the same for the approximate value of the property, and charge for this service proportionately according to the risk involved. In some states the government has adopted a system that attempts to obviate the necessity for that sort of insurance; but, instinctively chary of anything the government undertakes, people have been reluctant to avail themselves of the opportunity. They know only too well how government usually bungles and mismanages the things it undertakes!

Freedom Instead of Authority

Although many such activities have been hampered and hedged with restrictions and regulations by the State, their growth shows what might be accomplished under freedom. If there were no state institutions that pretended to give service, voluntary associations would be formed to perform those functions as the need would arise. In fact, it has been the usurpation by the government of functions that should be purely the business of voluntary associations that has

The very threat of the use of the army and navy is just as much a use of physical force as is the actual firing of the guns and the release of the poison gas.

To those persons whose sense of justice does not revolt at the coercion of inoffensive individuals, the message of the libertarian carries no weight. Their eyes are blind to scenes of rapine and murder; their ears are deaf to pleadings for justice; their hearts are cold to appeals for fair-dealing; and, above all, their reasoning faculties are impotent in the face of arguments of expediency. But let all sentiment be laid aside, and it may still be shown that freedom *pays*. And it pays from whatever point of view it is regarded. It pays because it costs less in actual cash; it pays because it is simpler and more easily applied; it pays because it reduces the possibility of error to the lowest conceivable point; it pays because it is in lines with the process of evolution; and finally, and this is the greatest asset of all, it pays because it is productive of the largest degree of happiness.

The libertarian ideal is the only concept that paves the way for the operation of Mutualism. Perfect Mutualism could not exist under any form of authority; it would be thwarted and emasculated at every turn. Just as today every social and economic evil that serves to enslave humanity is the result of some form of governmental interference with freedom and with natural processes, so would the same or similar forces tend to nullify and counteract, to some extent, the advantages to be derived from the application of the principles of Mutualism. It is a plant that requires the fertile soil of liberty in which to make its unimpeded growth.

On the other hand, the merit of the system is that it may be inaugurated without any cataclysmic disturbance of the present regime. Indeed, for the most important phase of Mutualism — that of mutual banking — but *one* federal law, together with its counterpart in a number of states, would need to be repealed in order to pave the way for the realization of this great liberating idea. Again, in other directions, Mutualism may be initiated in spite of the untoward aspect of constituted authority. In mercantile and industrial lines, voluntary cooperation and other associative activities may be carried on without any change in present laws. In many instances, such operations would be facilitated by the removal of certain legal restrictions and obstacles, but the start can be made, once there are enough individuals so minded, without the abolition of a single provision.

As a matter of fact, there are now many voluntary mutualistic associations being conducted with fair success, whose activities would be immensely simplified and whose accomplishments would be greatly augmented if they could be relieved of the handicaps which the law now places upon them. It is one of the cardinal purposes of Mutualism to free them, as rapidly as possible, of these obstacles.

Mutual Insurance

One of the most conspicuous examples of Mutualism in practice at present — under capitalism — is the mutual insurance company, of which many are in successful operation. Their success is undoubtedly due to the fact that they are not needlessly restricted by law; and the wonder is that they are not interfered with, since they are providing to their members insurance at cost, thus keeping a tidy sum in profits from the coffers of the regulation form of insurance company.

credit pure and simple, and gives to Connecticut the honor, which is usually accorded to Germany, of being the birthplace thereof."

"The bills of this Connecticut association were phrased in the form of the public paper issued by the colony. They became popular immediately and were freely used as money by the people. But this "swift currency of the New London Society bills through so many hands," as Governor Talcott records, aroused suspicion as to the object of this novel and unfamiliar device. The next year he caused the assembly to decree the dissolution of the Society for arrogating governmental rights and to order the bills to be recalled. The notes and mortgages were then assigned in trust to the Governor and he proceeded to wind up the concern, whose affairs continued to occupy the attention of the assembly until 1749. No question was raised, however, as to the soundness of these bills."

"The most memorable of these colonial projects for utilizing land as security for public or private bills was the Land Bank or Manufactory Scheme launched in Massachusetts Bay Province in 1740. The share capital of this association was $ 750,000, of which no individual member was allowed to hold less than $ 500 nor more than $ 10,000. Subscriptions were not payable immediately in cash. Each subscriber agreed to pay five on the hundred of the principal and three per cent use money annually until the whole amount was paid, and to give a mortgage on an estate in land to secure these payments, which could be made in produce grown or manufactured in the province. The association planned to issue twenty-year bills of small denominations without interest up to the full amount of this share capital. These were redeemable only in produce, but the association and the subscribers, so long as they held shares, were obligated to receive them for all payments and in trade and business when tendered by anybody. All members were jointly and severally liable, were the main borrowers, and had votes in proportion to their subscriptions; hence in its general outlines the association was similar to its cooperative prototype in Connecticut."

"The directors of this extraordinary financial experiment were among the most prominent citizens of Boston. Judges and legislators were connected with it. Adroit methods of promotion had worked the people up to such a point of fatuity that the majority believed that the means had finally been found for creating the medium of exchange so much needed for relieving the misfortune and poverty of he country. Over a thousand persons subscribed for shares and a number of towns agreed to accept he bills of the Bank for taxes."

"It must be remembered that in those days the principles, of paper money were not clearly understood. The sober-minded citizens, however, realized the dangers which lurked in the Bank and, backed by the provincial governor, they proceeded to suppress it. ... Armed with ... (the) ... law, ... the opponents of the Land Bank forced it into liquidation. Near riots broke out, severe measures were used, and almost thirty years elapsed before litigation regarding its affairs disappeared from the courts. The foreclosures, attachments and arrests made by the royal government upon the property and persons of the numerous members of this unfortunate concern to settle its debts, engendered, according to Samuel Adams, as much ill will as the Stamp Act."

Although Ambassador Herrick tried to be fair and broadminded, he could not

overcome his prejudice against any scheme which might endanger state, privileges and monopolies. All his diligent search for and analysis of credit experiments among civilized peoples apparently failed to make him realize the insufficiency of merely ameliorative schemes, and the possibility of altogether eliminating interest (the greatest individual cause of poverty) seems to have been too bold for him to conceive. Nevertheless, Mutualists are grateful to him for having rescued from oblivion these interesting and instructive experiments.

As to the Land Bank, from all appearances it would have been highly successful, had not the government (on pressure brought to bear by the "men of estates and principal merchants") arbitrarily interfered. Since most of the money issued by the bank was pure credit money anyway, secured by mortgages and notes on property, the members might have agreed not to pay in any capital at all and moreover to eliminate the payment of interest altogether, charging merely for the actual cost of operating the bank efficiently and safely. Barring state interference, the membership would have increased and business would have flourished greatly to the benefit of all the people, due to this "cheap money," which would have been so easy to get. And the bank would then truly have been a "Mutual Bank."

Although it is true that other backing than gold has been used successfully for the issuance of good money, the examples of Massachusetts, Pennsylvania, and Connecticut, given above, are admittedly not of recent date. How would similar Schemes fare at the present time, when finance and industry are functioning quite differently? Here, again, as in so many other problems, the World War has blasted a costly superstition: that gold was necessary to assure stable money. The most convincing experiment was made in Germany, Wien, in the fall of 1923, the paper mark, backed by nothing at all except the government's promise to give other paper marks in exchange and to accept them in payment of taxes, had dropped to one-trillionth part of its pre-war value, the government was bankrupt. Greenbackism was shown in all its nakedness and futility. Then what happened? The industry, agriculture and real estate of Germany accepted a mortgage and, with this mortgage as a backing, issued through the Rentenbank a new money, called the Rentenmark. Not one ounce of gold behind it! Merely the same backing as the currency of Massachusetts, Pennsylvania and Connecticut had had.

And this money — this theoretically bad and unsafe money - which, according to political economy, should have gone down in ignominy, circulated at par with gold-backed currency. And that is not all. For the Rentenbank issued a certain amount of its money to the bankrupt "Reichsbank" to clear off its debts, after receiving a guarantee that the printing press of the Reichsbank would stop grinding out paper money. It issued credit to industry and agriculture, and a people driven to the verge of collapse by the fraudulent, insane money issue of its government began to take on new life.

Necessity for Sound Basis for Money

The lesson taught by all Europe, but by Germany in particular, is: Any money, whether govern mental or private, that lacked backing by sufficient tangible value, became utterly worthless; any money, governmental or private, that had sufficient

to a certain invasive law. This is only a small portion of the majority necessary to repeal it by voting, and at the ballot box that one-twelfth would be powerless. But that one man, in every twelve, who is opposed to that law can, if on a jury, prevent a verdict from being rendered. Thus, if only nine per cent of the community are opposed to a bad law, they can prevent its enforcement. This is less than one-fifth of the number necessary to repeal a law through the medium of an election.

Laws which are for the punishment of those who are clearly invaders, and which practically the whole community wishes to have enforced, would not, under a condition of equal freedom and a system of Mutualism, occupy the attention of the courts as often as they do now, since, in the absence of exploitation by privilege, there would be much less poverty; and poverty, as the criminologists agree, is the chief cause of crime. With economic conditions such that every able-bodied man may be certain of life-sustaining employment, either as his own master or receiving the full product of his labor in the employ of someone, the main incentive for invasive actions would be lacking. Again, more efficient protection against the aggressively inclined, which would mean the prevention of crime rather than its detection and punishment after the act, would relieve the courts of a great deal of their work, and there would be a tendency toward prompter and swifter justice, and experience has shown that this in itself is a very effective crime preventive.

In addition to the foregoing, ostracism and the boycott may be used with good results in defense against criminals, especially against those whose depredations are of the lesser sort which are not of a nature to call for immediate and forcible restraint. Moreover, the application of such punishment could be swift and sure. In civil procedure, the increasing use of private arbitration courts, now already in use in several states, would tend to lighten the burden of the major courts, and under Mutualism they would be developed and utilized to the highest degree.

Invasiveness and Futility of the Ballot

Government implies force; it implies coercion; it implies the exercise of authority, by some person or institution that has the power, over another person *whether he admits such authority or not*. Manifestly, such authority should not be exercised over a noninvasive person, unless the functions of the State, as outlined in Chapter I as being inherent in its origin, are to be considered the just and rightful ones.

Right here lies the line of cleavage between the authoritarians (Socialists, Communists, Single Taxers, and all political parties) and the libertarians (Mutualists, Individualists, et al.). The former believe that whatever evils exist in the present system can be eradicated by the enactment of laws — in other words, by the use of physical force against all persons, whether assenting or dissenting. For it is true that the use of the ballot in the hands of a majority is just as much an exercise of physical force as is the use of machine guns in the hands of an army or of a bomb in the hands of a revolutionist. For of what use is the verdict of a majority unless it can be enforced? And how is such verdict going to be enforced by a government unless it is known that, in case of refusal to accept the verdict, the whole power of the army and navy can, if necessary, be brought to bear to secure that enforcement?

its application and practicalization in the system of Mutualism, is simply an attempt to carry this compromise to its logical conclusion.

Trial by Jury

When the Magna Carta was wrested from King John, among the things which it granted was a trial by a jury of one's peers. The purpose of this provision was to take from the king and from the nobles the power to send a subject to prison for asserting the rights of the common man against the man of privilege.

While the origin of trial by jury seems to be historically hazy, it is a certainty that it came to be most thoroughly established by the Magna Carta; and at that time trial by jury was, fundamentally, in a purer and better form than it has been at any time since. The obvious implications of that great instrument were that, the jury was to judge independently and fearlessly everything involved in the charge, and especially its intrinsic justice, and give its decision thereupon; and this meant that the jury was to judge the law as well as the fact. Within a century of the time of the promulgation of that great instrument, its provisions had been so altered that courts were beginning to take away from juries the power to determine the justice of the laws.

In the seven hundred years that have passed since that charter was granted, lawmakers and judges have so modified trial by jury that today the right of a jury to judge the law is hardly recognized. It is interesting to note, however, that, in America, there has of late been a tendency to travel back toward the original purpose and scope of trials by jury. A case in point is that of Scarf Vs. United States (156 U.S. 61), in which the view of the majority of the court was that it is the duty of a jury in a criminal case to receive the law from the court and to apply it as laid down by the court, subject to the condition that in giving a general verdict the jury may incidentally determine *both law and fact* as compounded in the issues submitted to them in the particular case; and it was further held that the power to give a general verdict enables the jury to take its own view of the terms and the merits of the law involved.

If juries were properly chosen by lot, out of the whole population of a community, and not, as they are now, taken out of a certain limited panel, the jury would be representative of the sentiment of the community. With all the invasive laws that are now on the books, and with all those that the busybodies are adding from time to time, the ordinary citizen has need of a new Magna Carta, so that he may not be smothered in this maze of laws as the common man in King John's time was crushed by the privileges exercised by the rulers of that day. A return to the kind of jury employed in that period would partly do away with this maze, and invasive laws could be vetoed by the simple expedient of declining to enforce them. If any law is to be enforced, a jury must convict the alleged lawbreaker. If the jury is representative of the general sentiment of the community (and it will be, if fairly drawn by lot from the whole community), there will be, on an average, the same proportion of men on the jury who are opposed to the invasive law as there is among the people in general.

Let it be supposed, for instance, that one-twelfth of the community is opposed

tangible value to back the issue, was sound.

Thousands of private concerns issued their own money (Notgeld — distress-money) during inflation. The public money, based on real estate (Rentenmark) or private money, which was to be re-deemed in 100 pounds of rye, coal, potash, potatoes, or in other commodities, was just as good as the United States dollar, sometimes even better. It was certainly superior to the theoretical gold mark, which fluctuated greatly with the increase and decrease of the gold supply at the Reichsbank. Securities issued in terms of commodities of the particular industries, such as coal, sugar, potash, etc., did not cause loss to their owners; but holders of bank accounts, mortgages, government securities, war bonds, governmental and private money calling for "marks" were cheated out of the implied promise without any formality.

The second lesson, therefore, is: The question of good or bad money is not one of government backing, but of the economic values behind the money.

Private money is just as safe as government money, if properly backed, and it is less likely to become a calamity to a whole people.

The following quotation, from a report to the United States Senate Commission of Gold and Silver Inquiry, Foreign Currency Investigation, 1925, by Henry M. Robinson, president of the First National Bank of Los Angeles and member of the Dawes Reparation Commission of 1924, speaks for itself:

"The past gives us outstanding examples of banks whose notes have passed current, even at a premium, where there was no redemption in gold, and such banks have operated through long periods without gold backing for their notes and bills but with the world's confidence in their management. We have now come to recognize that, while gold backing for currency issues in a reasonable ratio is most desirable, still, unless the ratio is 100 per cent, the question, of management is of very great, possibly paramount, importance; as the ratio of gold cover grows less, the importance of the managing factor increases, though not necessarily in direct proportion."

"A dramatic example has been given within the year in Germany. A sky-rocketing, almost astronomical, currency inflation left Germany with a currency so devaluated that it was in fact no currency. Almost overnight, and without any attempt to gloss over the facts, there was created a currency without gold backing, based very largely on real estate. While this was recognized as only a temporary measure, yet for nearly a year Germany has been able to maintain the Rentenmark substantially at its full gold value as a currency medium."

What further arguments for a credit currency could be needed, when even the master minds of high finance admit the soundness and workability of the idea?

What is Credit ?

Just a few words about the meaning of Credit.

The late Charles A. Dana, editor of the New York *Sun*, in a series of newspaper articles on "Proudhon and his Bank of the People", has this to say:

"What is credit? It is a sort of corollary to the exchange of products, or a kind of second stage of that process. A has a bushel of wheat which he does not need and which B does, but B has nothing at present to give in exchange for it. A lets him have it, and receives his promise to deliver an equivalent at some future time, when he shall have produced it. Such is the operation of credit, which arose after the commencement of exchanges. Presently it assumed a new feature, which may be illustrated thus: B needs A's bushel of wheat and has an article produced by himself, but cannot divide it so as to render an equivalent, or does not wish to dispose of it at present, and accordingly takes the wheat on credit. Thus credit is the giving of one product in consideration of the future return of another yet to be produced, or which is already produced but not on the spot, or in a condition which will not allow it to be delivered. The uses and advantages of this operation are well known and need no explanation."

"All credit presupposes labor, and, if labor were to cease, credit would be impossible. What then is the legitimate source of credit? Who ought to control it. And for whose benefit should it most directly be used? The Laboring classes. But, instead of credit being governed by the producers in a nation, it is always in the hands of the intermediaries, the exchangers and agents of circulation; and instead of being used to aid the workers, it is generally used to make money, i.e., to get the greatest possible amount of the products of labor for the least return, and if possible for none at all. And it is manifest that if the working classes could once gain possession of this great instrument, which rightly belongs to them, they might escape from the necessity of working for others, or, in other words, of giving the larger parts of their products for the use of capital; they might become the owners of the tools they use, become emancipated from the domination exercised over them by their agents and public servants, set up for themselves and enjoy the fruits of their industry."

"But how can they gain possession of this instrument? By the organization of credit, on the principle of reciprocity or mutualism. In such an organization credit is raised to the dignity of a social function, managed by the community; and, as society never speculates upon its members, it will lend its credit, not as our banks do theirs, so as to make seven per cent or more out of the borrowers, but at the actual cost of the transaction. A practical illustration of the above named principle in a similar matter may be found in the system of mutual insurance."

But credit is not restricted to the mutual exchange of services. It has an even bigger and more important field in the production and exchange of goods. Elastic credit currency is a, prerequisite to unhampered industrial activity.

William Beck, of Cincinnati, Ohio, proposed a bank in which credit in account was to be used instead of money. This was in 1839. Today, this very credit in account is the method of doing business by banks to the extent of ninety-nine per cent of their transactions; but, instead of furnishing this credit at cost, to the customer's benefit, the banks charge interest on it as if it were hard money, and pocket the profit.

A little later. Col. William B. Greene, and the great French economist, Proudhon, each independently worked out the idea of the Mutual Bank. So keen

of the underlying idea of Mutualism. For, viewing the principle of equal liberty as an abstraction, Mutualism may be called its practicalization. With equal liberty as the foundation. Mutualism is the structure that is built upon it — the concrete, living, working system that supplies, in the fullest measure, every need of humanity. It can and does cover every human activity.

Mutualism Essentially Libertarian

Here, then, is where Mutualism offers its solution. The Mutualist wants every person to have an equal right to do whatever he wills, *at his own cost*. That demand is too moderate for the man who says that his freedom is interfered with by a game of ball played on Sunday a mile or more away from his church or his home. It is too mild and too reasonable for *him*. He wants the freedom to do whatever he wills - *at the other fellow's cost*. He insists on doing on Sunday exactly what he wants to do, but also he insists that everyone who doesn't want to do what he wants to do be prevented from exercising the same liberty that he demands for himself.

Even prohibition has been saddled on the people in the name of freedom! The man who eats bread that contains more than three per cent of alcohol, and drinks tea, coffee, coca-cola and other highly sweetened beverages that are converted into alcohol in the bodily processes, says that it is a denial of his freedom for others to drink other beverages containing more than one-half of one per cent of alcohol. He doesn't prove such denial of freedom; he merely asserts it.

It is, therefore, one of the purposes of Mutualists, not only to awaken in the people the appreciation of and desire for freedom, but also to arouse in them a determination to abolish the legal restrictions now placed upon non-invasive human activities and to institute, through purely voluntary associations, such measures as will liberate all of us from the exactions of privilege and the power of concentrated capital.

Clearly enough, every product of a man's labor must be his own. As a corollary, any product of the labor of others, if it be given him or if he acquires it by exchanging the products of his own labor therefore is also a man's own. A man's claim to such a "right" cannot be disputed. But, in any discussion of rights, the question always arises: With just what rights is a human being born?

As a matter of elemental ethics, it can not be argued that a human being is born with any right that he is not powerful enough to assert and maintain, since those that precede him are in nowise bound to see that he obtains the means of subsistence. Purely as a matter of abstract *right*, it is no concern of theirs whether the newcomer survive or perish. In other words, the theory that the world owes everyman a living is a fallacy. Nevertheless, the will to live is such that a human being will fight to the limit for his existence if he is hindered or thwarted in his efforts to secure the satisfaction of his bodily needs.

This being so, the history of civilization has been merely a record of attempts to compromise between the old resident and the new arrival; between the strong and the weak. Vested rights and priority considerations have been forced to yield here and there until today the masses are freer from this domination of the classes than ever before. And so the formulation of the principle of equal liberty, together with

according to use and need, is much harder, to arrive at than the answer to the question of occupancy and use of land. And the boundary disputes of adjacent land-holders on the surface are nothing in comparison with the conflicts of rights hundreds of feet below the surface, which constantly arise and are satisfactorily adjusted in mining disputes.

VII
SOCIAL ASPECTS

The Individual and Society

In the relation of the individual to society, Mutualism offers to develop to the fullest possible degree that limited amount of reciprocity now subsisting between man and man. It is needless to say that this must always be done with the most careful consideration for the principle of equal liberty. Without perfect equality of liberty, reciprocity will not develop. Therefore, at every point, such liberty must be most jealously guarded.

But, as expressed in Mutualism, the idea of helpfulness, *where helpfulness is wanted*, is something that must appeal to all intelligent and rational persons. When they understand that the principle of liberty must always go hand in hand with mutual helpfulness, they, will not make the mistake of those who use the Golden Rule as their main guide; that is to say, they will not force their assistance upon those who do not ask for it or who do not desire it. The very essence of the meaning of mutuality is cooperation; it cannot be one-sided; and, in its application in conjunction with equal liberty, it must be two-sided. There can be no unwilling participant in Mutualism. There may be a desire to aid, but it must always be accompanied by a willingness to accept help, and to give in return something that is asked for or desired.

Thus it will be seen that aggression has no place in the theory of Mutualism. There must be just as much freedom to decline assistance as there is to offer it. No person or group of persons should be permitted to decide what is good for another person, or to force another to accept something that he doesn't want. Such coercion would be a violation of the principle of equal liberty as embodied in Mutualism. Therefore, it is clear that in respect to the relationship between Mutualism and liberty one is the hand-maiden of the other; they are inseparable. One must be measured by the other. One cannot exist without the other. It is doubtful if, without a full understanding of the fundamentals of liberty, one can have a true appreciation

was their insight and so prophetic their vision, that, after eighty years, hardly any changes have to be made in their plans, in order to bring them up to date.

Insurance of Credit

The principles of insurance have been applied in many directions, and where a scientific basis has been established and maintained, the results have been universally satisfactory. Insurance is an undertaking for the purpose of averaging risk, distributing the force of calamity, hardship, disaster, and the like; it serves to distribute the cost of benefits enjoyed as well as of burdens to be borne.

It is necessary only to apply the principle of Mutualism to the insurance of credits in order to secure the best form of money. This can be accomplished by insurance companies that would insure the credits of borrowing members. Strictly speaking, the borrowing member assures his own credit by the pledge of exchangeable wealth. It is the province of the local association to give effect to his assurance by affording it a wider scope; that is to say, by extending to him the power to monetize his credit — a quality which his unaided individual credit lacks.

The local association, by the issue of its notes, exchanges its credit for the secured credit of the borrowing member. These notes are money, but not the best form of money, because they do not compel recognition beyond the locality in which the skill and probity of the management of the local institution is known. Hence, instead of issuing to the borrower its own notes, the society would issue the notes of the National Clearing House of Mutual Banking Associations. This general institution would supply the bills to the smaller cooperative bodies, and such bills would, in the nature of things, supplant other forms of circulating medium.

Of course, the beneficiaries of the Associations would be obliged to pay for maintaining them; but this cost, instead of being interest on the amount of credit extended, would merely be the cost of transacting the business. It would include the expenses of management of the local and general Mutual Banks, the actual cost of engraving, printing, and shipping the currency tokens, and an insurance premium for risk. This total expense will be, as stated above, but one per cent or less. Skillful management of the primary banks would tend to minimize the element of risk to the point of its elimination, for the general society would discontinue extending its services to branches that exhibited lack of judgment and skill in determining the margin of values against which credit may be safely issued. That risk would be inconsiderable, even in the early stages of the operation of the system, inasmuch as each local association would, as a rule, select its most cautious men on its board of supervision.

The Mutual Bank.

The essential features of a Mutual Bank may be outlined as follows:

1. Mutual Banking Associations shall be formed to do a general banking business and to issue paper money for the use of their members.

2. Members of such associations shall, upon admission, bind themselves in due form to receive the money issued by the association from all persons, in all payments, at par.
3. The associations may issue their paper money as loans to their members to circulate as money among them and such other persons as are willing to receive it. This money will not be legal tender.
4. Any person may become a member of any association and may borrow the money issued by the association, by giving his promissory note therefore, and by pledging improved property to the association to secure the payment of said note, or by having his loan insured as hereinafter provided.
5. Loans may be made for an amount not exceeding one-half the assessed value of the improvements situated upon the real estate pledged, or in an amount not exceeding one-half the value of goods, chattels, implements and machinery used in productive enterprises, or upon shares of stock of such enterprises, and upon warehouse receipts. The period for which loans shall run shall be determined by the marketability and possible depreciation of the security offered.
6. Loans may also be discounted by the association, for those who have no property to pledge, upon the payment of a sufficient premium to insure the risk with an authorized insurance company.
7. The rate of interest shall always be zero. The charges for which said money shall be loaned shall be determined by and shall just meet and cover the losses sustained and the expenses of the association.
8. Members, by paying their debts to the association, shall have their property released from pledge, and be themselves released from all obligations to said association and to the holders of its money as such.
9. Wage workers who are willing to receive the money of the association in the payment of their wages may deposit the same with the association subject to check.
10. The money of the association shall be issued in denominations of one, two, five, ten and twenty dollar bills; at least one-half of the issue shall be in the first three denominations.
11. A dollar is here by defined to be 23.22 grains of pure gold.
12. The check, draft, bill of exchange and travelers' checks may be adopted to facilitate exchanges between the various members of the associations and between the associations themselves.
13. Associations may form clearing houses in all cities, and regional clearing houses where most convenient, and a national clearing house in a city near the center of population.

Offhand, there seems to be a risk connected with the acceptance by the Mutual Bank of all kinds of property as security for loans. But, in reality, the risk will be very slight. If a member of the Mutual Bank should fail to redeem his note at maturity, the property he has pledged will be sold for gold coin. The auctioneer pays to the Bank in gold the amount of the note, which gold the Bank will then hold, in order to redeem with it an equivalent amount of Mutual Bank currency. The balance of the gold will be paid to the debtor for his equity. Under our present

not exist elsewhere. These necessitated radical changes in the law for which there were no precedents, except as they were established by commonsense agreements and usage among the various occupants. Farm lands, as is well known, are laid out in squares containing a certain number of acres, one hundred and sixty acres being the number commonly allotted. The ownership of this land followed the common law and included all the land below the surface between vertical planes drawn downward through the boundary lines of the tract. In other words, the owner of the surface owned all the land below that surface.

The veins which contain the ores usually crop out on the surface of the mountains, but as they descend into the earth they often vary from the perpendicular. Unless the miner has a large piece of land, the veins will soon run under the boundary lines of his neighbor's land. Instead of permitting the mining claimant to have as large a piece of land as the farm allotments, he was given only ten acres. However, the common law rule mentioned above was changed. The claimant must first locate the vein and may claim a slice of the vein fifteen hundred feet in length; but this slice of the vein he may follow down into the earth, no matter how it extends nor in what direction it runs, even if it should extend under the surface boundary lines of other mining claims. The whole vein is his, bounded only by his end lines. Veins running in different directions may meet hundreds of feet below the surface and cross each other. The many difficult questions of fact which arose between conflicting claimants can be easily imagined. Yet, all these questions were solved as they presented themselves, and the mining industry grew and flourished.

In the arid States water was, if anything, more important than land, for the land was worthless without water. The common law doctrine of riparian rights, which was then in force, provided that an owner of land bordering on a river, or through whose land a river flows, has the right to have the water in the stream "flow continuously past or through his land unimpeded in quantity and unimpaired in quality."

Here was a difficulty. If this rule was recognized, all the water must stay in the stream and none could be taken out for irrigation. Farming would be impossible. The courts of the Territory of Colorado soon had to sanction custom by deciding that in a "thirsty land" the common law rule must be abrogated, and that the water could be "appropriated" — i.e., taken out of the stream and diverted to the land where it was needed for irrigation. The various settlers in the vicinity of the streams might appropriate such quantities of water as they desired for use, each one designating the amount he wanted, until all the water should be appropriated. If any one failed to use the water, its flow would continue and other users could get it; but if this non-use was persisted in for a certain period of years, it was considered an abandonment of the right. There was some litigation before the various questions regarding the respective rights of the different users of the water from these streams were determined, but this did not prevent the growth and development of these farming districts up to the full extent of the water available.

These illustrations should give reassurance to those readers who fear that a departure from the present system of land-holding would create chaotic conditions, or that the disputes arising over the question of actual occupancy and use might be too numerous and difficult to decide. An equitable allotment of water for irrigation,

were to be made permanent and the law should apply, not only to homesteads, but to all real estate holdings, there would be more than enough good land, for all purposes, available to all who wanted to make use of it.

State grant and sanction of private ownership in land, is not of course, the ideal, even though the ownership be conditioned exclusively upon occupancy and use. In the meantime, however, short of the eventual supplanting, by private protective associations, of all government regulation, such merely protective and defensive powers of government, being the least oppressive, will probably be the last to disappear.

The only authority over land tenure which will ultimately be recognized is the equal liberty of all to its use. This does not come from a central head, but from the simple, reciprocal wants and needs of the individual. Under the full realization of the Mutualistic system, any person might use any unoccupied land without ceremony. But now the government usurps the simplest prerogatives of necessity, by what it bestows no less than by what it withholds. "Nationalization" of the land, instead of being the cure of land monopoly, is in fact, its cause. It cannot destroy land monopoly, because that destruction must come through the denationalization or individualization of government — the exact opposite.

Under Mutualism, while no deed will be given to land in fee simple, there will be individual possession; and the possessor of the land is the individual proprietor, not a lessee under paternal authority. All the possessors of land together do not own the land collectively, as a body, or as a commune, or as a group, but separately, as independent individuals. It is an independent occupying and using ownership. The holders may exchange among themselves their right of occupancy, and no outside power can interfere with the land — has, in fact, any business with it. This system of land tenure is automatic and self-adjusting. When it is perceived that the State is the chief disturber of rational land distribution, people will understand that only as they out-grow the State will they grow into an equitable land tenure.

Various Problems Solved

The problems to be faced in actual life are many and varied, and sometimes seem impossible to solve; and yet, in the end, a comparatively simple and practical solution is always found, which often invokes amazement at the diffidence and timidity with which these problems were originally approached. The solution is usually a natural and logical development of the problem.

Prominent in this respect were the Miners' Courts in the far West of fifty years ago, which met without official sanction and functioned only by mutual agreement of the inhabitants of those out-of-the-way places. Their commonsense decisions, based merely on the merits of the individual cases, heedless of established legal practices, were quite generally respected and carried out.

In the western United States all the original titles to the land, exclusive of the old Spanish land grants, were in the Federal government, and by the Homestead and Preemption Acts the land was thrown open for farm purposes. Later on, the Mining Act permitted entry by those seeking the metals that are found in veins. New geological and meteorological conditions were encountered in these States that did

system, with all its uncertainty, a foreclosure does not take place once in five hundred instances. Under the system just outlined, it will happen even less often. About two thousand dollars in gold coin is all that would be needed to protect a million dollars in loans. And even this amount can be dispensed with by insuring the risk with a reliable insurance company.

In general, the advantages of this Mutual Bank will be:

Mutual Bank notes, being secured, credit, will take the place of unsecured credit, and, in consequence, credit losses will be practically eliminated.

Usury and interest will cease, and only the costs of issuing, securing, and carrying Mutual Bank notes will be charged, amounting to less than one per cent.

Mutual Bank notes, by their very nature, cannot depreciate. On this account, and because there will always be enough Mutual Money for all industrial and commercial needs (due to the flexibility of the issue), there will be no more money panics.

As money will be easy to get under the Mutual Banking system, sound enterprises will have no difficulty in getting financed. This will eventually mean the disintegration of monopoly. It will also mean the creation of many more jobs, and consequently competition among employers for workers, resulting in increasingly better conditions of work and pay, until at last the worker will receive the full product of his labor.

Mutual Bank in Operation

Let it be assumed that the Mutual Bank has been established and offers credit at the cost of operating the bank, which is about one per cent. This will be the full rate charged on all loans. This rate comes into competition with the rate charged by all other banks and all other money lenders. The effect on the other banks will be felt very soon, because no one is going to pay six or eight per cent for money when he can get it for one per cent or less. One of two things must happen: The old banks must either meet the cut and also lend money at that rate, or else lose their customers, who will go to the new bank. The new bank needs no capital, as it does business entirely on the capital of its customers, who are also its members; for every member virtually brings his own capital, to the Mutual Bank when he joins it.

The business the Mutual Bank can do is unlimited, and each new member joining the bank increases the number of people who can do business with each other on this new basis. The circle of exchange becomes wider and wider, and it cannot be long before the whole community is impelled by self-interest to do business on this plan.

The Marginal Producer

Reducing the interest rate to zero not only saves the interest to the borrowing community, but it also tends to reduce to zero the profits now made in industry. How profits are made is so well shown by Bilgram and Levy in their book, *The*

Cause of Business Depressions, that their meaning is best conveyed in their own words:

"There are at all times and in all trades producers who are in debt to the extent of all the capital they employ. From the capitalist's standpoint these are obviously the marginal producers, namely, those who, as regards the use of capital, are working under the most unfavorable circumstances under which production is being continued; The interest paid on money loans by the marginal producers, that is, by the producers who are indebted to the limit of their capital, is an expense which they cannot escape under present conditions. Their expertise in producing the goods is equal to the cost of conducting the business plus the interest paid on the borrowed money. The more fortunate business man who owns the capital employed by him, and who therefore is not under obligation to pay interest, can produce the same goods at the mere cost of conducting the business. But whatever it may cost the different producers to make the goods, the selling price is the same for all, and this price is established by what it costs the marginal producer to make the goods. Hence those who own the capital they employ reap a profit on their sales equal to the money interest which the completely indebted producer must pay, and this profit is what constitutes capital returns. It is in this way that capital goods acquire what seems to be an earning power, the rate of which is the same as that of money interest."

The importance of this extract cannot be emphasized too strongly; for it makes entirely clear the fact that all profits are based upon and caused by interest; and it matters not whether few or many capitalists own the capital they are using or are indebted to the banker or money lender for it. The single *entrepreneur* who is so indebted fixes the price which all of them can charge. Thus, one fully indebted producer or merchant out of a hundred who pays interest on the entire capital (land, improvements, machinery) involved, must charge a price sufficient to cover this interest before he can gain anything for himself, while the other ninety-nine, who may be little or not at all in debt for their capital, can, at his price, make a profit and pocket it because of the interest.

It is plain that by the operation of the Mutual Bank, capital will practically cease to exist as an income producing fund, for the simple reason that if money, wherewith to buy capital, can be obtained for one per cent, capital itself can command no higher price for its use.

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

Many Mutual Banks will therefore be established. Not, however, as banks are established now, by a handful of stockholders for their own profit, but by associations of producers for their convenience and advantage.

Benefit to Farmer and Manufacturer

more of a scramble he made for soil which was naturally in an ideal condition for cultivation, Implements and equipment meant very little then. But as the science of agriculture developed, along with that of engineering, with its dams, tunnels, reservoirs and irrigation ditches, it was found that steam tractors could plow as many acres in a given time as the old hand plow could cover square rods. With gas engines, electric power and nearly automatic harvesting machines, the capital needed to work the land and to transform the raw materials by means of all those machines and contrivances soon became more important than the land itself. Farming, which once was practically an unskilled occupation, has developed into a profession demanding high and varied skill and an all-around practical education, so that the personal factor of individual skill and efficiency, which in former times was more or less negligible, is now practically paramount, still further reducing the relative importance of the land problem in itself.

Nevertheless, it is from the land that the raw materials are derived which go into the production of all commodities. These gifts of nature are tendered without cost, and the producer should be free to benefit by their use without the payment of a price, in keeping with the Mutualist principle of reciprocity. There is no reciprocity between landlord and tenant. The tribute which the tenant must pay to the landlord in the form of rent is absolutely inequitable. It is the result of a privilege granted by some government whose title to the land was founded on conquest or on some other inequitable form of acquisition. No condition is imposed that such land shall be used by the grantee. It is his to use or to let remain idle as he pleases, or to rent — i.e., to exact tribute from one to whom he grants the use of it.

Country rents differ from commercial rents in that one is a tax levied on the tiller of the soil, while the other is a tax levied upon the whole country because of position. Since the landlord never owns the land for the purpose of living on it himself, he is usually an absentee landlord. The dispute over him, then, is not whether he shall sell or how much he shall receive, but whether he shall live on another. If the landlord should live off the interest of the money received for the land, it would be the same thing — only a change of terms. The word "landlord" is correctly chosen. A man who owns land under the present system of land tenure is virtually a lord over others who have no land and who must pay the landlord rent for the right to live upon the land.

Abolish the Landlord

The protection of a title to land should be given only upon condition that the land be personally occupied and used by the holder; and, upon his failure so to occupy and use it, it should be available to those landless persons who would conform to these conditions. The Homestead Act is built upon this principle, but it does not go far enough. It grants a full title (with the privilege of non-occupancy) to the homesteader who has fulfilled the prescribed conditions of occupancy and improvement for five years. However, if he fails to fulfill those conditions, the patent is not granted, and the conditional title held by him reverts to the government. The land then is open for settlement to anyone who will occupy it and declare his intention to live upon it. If the condition imposed for the first five years

food in the country.

Russia's first need was more capital — means of transportation, implements, machinery, and tools. When the land had been confiscated, workers in the cities who had been producing these things began to return to the villages, to till the soil. By doing so they diminished the production of the very things which were needed most urgently by the farmer as well as by the rest of the population. Had they remained at their jobs in the cities, accelerating that ever insufficient, much needed industrial output, they could have helped agricultural production far more by supplying the farmers with tools and machinery than by, putting more land under cultivation in the old, wasteful, primitive way.

Lenin's writings show a belief in land nationalization, in the Single Tax, and in occupancy and use. All three theories are jumbled up, and all three seem to have been tried out successively in Russia. After the revolution, the landlords were dispossessed and the land was seized by the peasants. Then the Soviets tried to take nearly all the crops which the peasants had produced. This was a sort of single-tax, since at the time there were no other sources of taxation; for industry, when under Socialist or Communist control, does not even pay costs, not to mention an excess that could be taxed. The peasants were not enthusiastic about such an arrangement. The next year they saw to it that there was no crop to take. At last, from sheer necessity, the occupancy and use tenure of land had to be accepted by the government.

Land Ownership

It will be interesting to note briefly the progress of land ownership from its primitive beginnings. In primitive society (examples of which can even be found today in tropical regions), communal ownership was the rule. With the rise of feudalism, land ownership was usurped by warlords, potentates, the church, and other tyrants, who rented out land to individual tenants, but without releasing control. As serfdom decreased, the number of freeholders increased, until there was developed the still prevalent system of individual ownership of land in fee simple, subject only to taxes imposed by the government. The fourth and final stage of land tenure will be that of ownership through occupancy and use, without taxation or rent of any kind. It will be the only type of land tenure guaranteeing absolute security to the individual, since individual ownership will be based on only one condition, namely, that of occupancy and use. No confiscation and eviction will be possible under Mutualism, for whatever land may be occupied and utilized, whether it be a twenty acre orchard or a quarter acre of shop space, or an acre of home and garden, will be the occupier and user's exclusively by virtue of the mutual agreement of free individuals, basing their judgment upon the law of equal liberty.

Absolute security in one's possessions and person is just as important in modern society as liberty itself; for, without this security, commerce and industry must remain crippled and ineffective. And a high state of development of commerce and industry is essential for the successful functioning of modern complex society.

In primitive society, land was everything. And the less the primitive farmer knew about fertilizing, rotation of crops, reclamation of land and irrigation, the

For the farmer also is included among the beneficiaries of the Mutual Bank. He needs money for seed, for farm machinery, for fertilizer, and for wages. He goes to the Mutual Bank to borrow. He makes out his personal note, secured by collateral or a mortgage, and receives Mutual Money. With this money he pays the people whom he owes for products and services. They in turn pass the money on to others from whom they must buy needed commodities. Thus, the money keeps on moving through scores, or even hundreds, of hands, in all the intricate processes of production and exchange. It may even, from time to time, pass through the hands of the original borrower who would again pay it out. In the meantime, the farmer's crop is growing. When it is finally harvested and sold, he takes the proceeds to the bank and out of them pays his note and has the mortgage released; and the borrowed Mutual money, thus paid back into the bank, is canceled.

A manufacturer, similarly, may want money at the beginning of a season, in order to buy raw materials, new machinery, to meet his pay roll, or for the production of goods on which he will not be able to realize any money until some time in the future; or the merchant has to lay in a stock of goods. They all proceed in the same way. In some instances, the credit period may have to be longer, in others shorter. But all of them will need credit part of the time, and many even all the time.

It is a most important feature of the Mutual Bank that money will be issued at the very moment when it is needed and that it will be automatically retired when it has performed its duty. The exact amount required is always in circulation or can immediately be brought into circulation.

The high discount rates of today discourage borrowing. The bankers maintain that they merely want to discourage speculation; but they harm the legitimate producer far more than the speculator. Under Mutualism, there will be a tendency, by and through the force of economic processes, toward the elimination of the speculator.

Mutual Money will not be legal tender. No one is forced to take it in payment of a debt. Thus, there can be no over-issue and, consequently, prices will not be affected by it. If at any time a member of the Mutual Bank should have more money on hand than he immediately requires, it would have no more effect on prices than extra sheets of postage stamps in his desk would have on the price of carrying letters.

Benefit to the Wage Worker

The wage worker, and in fact all those who have services to sell, while not borrowing from the Mutual Bank themselves, will nevertheless benefit by the bank's operations, in that the extra credit facilities will stimulate industry to the fullest and will thus add to the production of all kinds of goods. Since the cost of goods will not include the toll of interest, which today adds so much to the price of all products, the price of all goods will drop, so that most of the so-called luxuries of today will come within the reach of everyone.

As will be shown in another chapter, slow production means idle workers

competing with one another and lowering wages still more. Increased production will create jobs for the idle workers and cause competition among employers for the services of the workers, thereby bidding up wages. Thus there will be a double gain: a decrease in the price of goods to the consumer and an increase in the price of services rendered. Competition among producers is bound to achieve the former — namely, forcing down the prices of all goods; while competition among employers must of necessity lead to the latter — the forcing up of prices for every form of service. This double gain for the workers will be realized entirely at the expense of the money monopoly, without revolution or industrial upheaval, without expropriation of any kind, through the establishment of the Mutual Bank, which will make it impossible for capital to continue to exact profits.

Finally, there will be the further benefit to the worker through the increased opportunity for self-employment which will be furnished by the organization of Mutual Credit, since it will enable him to engage in many individual enterprises which now he dares not undertake on account of the inevitable tax he is forced to pay to the money lender.

The launching of the new ventures that will thus be encouraged will give an additional impetus to industry that will be immediately reflected in the total abolition of all involuntary unemployment.

Free Trade, (pp. 155-6). While demonstrating how the advantages one country possesses over another would be equalized under free trade, he leaves the inescapable deduction that, within the boundaries of any one country or any one district or city, the advantages that any one locality might possess over another would, under freedom, tend to be equalized. Here is his incontestable reasoning:

"Let us suppose two countries, one of which has advantages superior to the other for all the productions of which both are capable. Trade between them being free, would one country do all the exporting and the other all the importing? That, of course, would be preposterous. Would trade, then, be impossible? Certainly not. Unless the people of the country of less advantages transferred themselves bodily to the country of greater advantages, trade would go on with mutual benefit. The people of the country of greater advantages would import from the country of less advantages those products as to which the difference of advantage between the two countries was least, and would export in return those products as to which the difference was greatest. By this exchange both peoples would gain. The people of the country of poorest advantages would gain by it some part of the advantages of the other country, and the people of the country of greatest advantages would also gain, since, being saved the necessity of producing the things as to which their advantage was least, they could concentrate their energies upon the production of things in which their advantage was greatest."

The foregoing was written some forty years ago. It was logical then. Now, with the impetus which subsequent inventions have given to the processes the writer enumerates, his argument is irrefutable, and its application to the solution of the economic rent problem is no less perfect.

Russia's Land Experiment

The case of Russia illustrated very pertinently the fact that mere return to the land can never result in the salvation of mankind at its present stage of evolution. Years ago, when the Single Tax and other schemes opened to discussion, the comparative importance of capital as against land, radical economists admitted the former to be more important in countries of high industrial development like England and the United States, but were inclined to consider the land question paramount in purely agricultural countries, like Russia. Recent history disproves the latter contention.

In Russia, after the revolution, the large landed estates were confiscated and given to the landless people. If the theories of those who believed in land reform as a cure-all, or even as one of prime importance, were true, then this one reform would have solved the problem for Russia, or at least brought about a marked improvement in conditions. The problem in Russia, however, was not to settle more people on the land. Agricultural production in that country was not only sufficient for its own needs, but, except in times of famine, they had food even for export. And even then the failure to avoid the famine was due much more to the break-down of the transportation system and monetary policy than to an insufficiency of

altitudes and more distant localities.

4. The radio, phonograph and motion pictures. No locality is now so distant or isolated that it may not enjoy a large number of the same educational and entertainment features that the city dweller has access to. This has come to be an important factor in enhancing the desirability of outlying localities and in destroying the monopoly of these advantages that the cities had hitherto possessed.

5. The very pressure of rents themselves, in the congested areas, have forced many great industries to seek locations in rural or semi-rural localities, and this change has been made feasible by the improvement in transportation facilities. These removals, furthermore, have caused a corresponding migration of workers from the cities to the places to which their employment moved. Such transfers create land values in the new locations, just as surely as they reduce them in the places left vacant.

6. Within the confines of the cities, the equalizing tendency is accelerated by the chain stores, which sell merchandise in the farthest suburban localities at the same price and in the same variety as they do in their centrally located stores. Shrewdly managed, they rarely occupy expensive corner locations, but utilize less conspicuous sites, depending upon their reputation and upon advertising to draw customers. They are assisting thus in the diminution of economic rent.

From the foregoing it will be seen that economic rent is largely the result of mal-distribution. Therefore, with the constant improvement now to be observed in the various distributive processes, economic rent tends more and more to disappear. Contending that the abolition of ground rent (by freeing the land) and of interest (through free banking) would terminate the exploitation of the worker, mutualists oppose any scheme to equalize economic rent by forcibly taking from the occupier and user any part of the product of his land. Since in almost all cases the superior advantages which has holding may have over another are merged into the labor (cultivation and improvement) and capital (fertilizers, orchards, buildings) which he has placed upon it, Mutualists see clearly that the pure economic rent could never be accurately differentiated from the other elements, and that, therefore, to tax the so-called rental value of the land would be always to confiscate a part of his labor and capital. Rather than acquiesce in such an invasive project, they would willingly submit to the trifling inequities of economic rent that might remain after all the above enumerated equalizing forces have done their work.

If, after all these measures and economic forces had performed their tasks, there should remain extant, a cognizable amount of economic rent it would still be possible, through a system of mutual insurance, to equalize all remaining differences. But, even if it be admitted that as absolute a level of equality may not be reached by the Mutualist as by the authoritarian method, it must be borne in mind that the equality attained in the latter way is reached more by taking wealth from some than by adding benefits to others.

Finally, to further emphasize the fact that Mutualists are correct in their contention that economic rent is not a prime source of the exploitation of the worker, and that it is becoming less and less a factor in that process every day, and that, under Mutualism, its diminution would be greatly accelerated, no better argument could be adduced than one by Henry George, in his volume, *Protection or*

V
MUTUALIST PRODUCERS AND CONSUMERS

Inflation and deflation being things of the past under Mutualism, with credit instruments amply secured and with free exchange in operation, panics, carrying industrial waste and ruin in their wake, will disappear entirely. The economic world needs this stabilization, this freedom from constantly recurring economic depressions which work havoc with industry, labor, and agriculture. It is safe to say that, even in normal times, the so-called profits in competitive industries and farming often are no more than equitable, wages or the full value of their labor, while in a good many cases they are much less than that. Organized skilled labor, though by no means fully compensated, is frequently closer to an equitable wage.

Just to be an employer does not mean necessarily to make a profit. The popular notion held by many workers and reformers that the boss, the employer, is the gouger and exploiter, is superficial and inaccurate. The owner of a plant or farm may be an exploiter, and again he may be one of the exploited himself. Nine out of ten business enterprises are sooner or later forced into bankruptcy. And this type of entrepreneur will certainly welcome an amelioration of his lot through stabilization and cheapening of the means of exchange through the establishment of the Mutual Bank. It must be remembered that the Raiffeisen banks in Germany, the cooperative credit banks in France, the Moscow Narodny Bank. before it was taken over by the Communists, the cooperative banks in the American Colonies even in their semi-capitalistic form, have been the saviors of hundreds of thousands of farmers and small business men who would have fallen by the wayside under the knout of the money lender.

Granted that Mutualism would be an advantage to productive enterprises as far as they did not rest on special privilege, how would it benefit the worker? The abolition of interest alone will give such an unprecedented impetus to new enterprises that production will go begging for help; the demand for labor will be larger than the supply, This will at once raise wages to a degree that will closely approximate the full product. Instead of being employees at the mercy of the employer, the workers will be rather like partners offering their services in return for their full earnings. Where credit is available at cost, a man will get equitable

recompense, or go into business for himself or with others.

Furthermore, in contrast with the usual occurrence under the present system, a raise in wages will not be followed by a rise in prices of commodities. On the contrary, it has been shown that production will receive an enormous impetus. Instead of working with a constant loss of from thirty to sixty per cent of capacity, as at the present time (see *Waste in Industry*, issued by the Federated Engineering Societies of the United States), production will proceed nearly at top speed. And the more commodities are produced, the larger is the quantity of the various products that can be exchanged for each other and the cheaper will all products be. If production doubles, prices are cut in half, not only of commodities for daily use, but, even more important, of tools, the means of production. In other words, an increase in quantity of goods produced under Mutualism means lower prices, while labor itself will receive a more and more equitable compensation. And any additional perfection of productive processes will in a short time redound to the benefit of all those who do productive work, instead of enriching a protected few to the exclusion of the rest.

To speak more concretely, present industry works only half time. Ten per cent of the workers are idle all of the time and in times of depression many more. King C. Gillette, in *The People's Corporation*, estimates the number of speculators and general non-producers at over three million in this country. Furthermore, many who are working have insufficient capital and must use inadequate machines, tools and appliances. On the other hand, under Mutualism, free banking will bring the price of capital to zero, and will stimulate industry to full time production. This will approximately double the present output.

Employing the ten per cent of the workers who are at present idle all the time, transferring the non-productive workers into productive industry, furnishing the capital needed, to make all labor more efficient, with free land, free exchange of goods and of ideas, and finally cutting out the "lag, leak and friction" of the present wasteful system — all this will increase production about four times, at a conservative estimate. According to economists, productivity has really increased from fifty to a hundred times since the advent of the machine age. Whatever the increase may become, all of it will go to those who do productive work or give exchangeable service.

Regarding that part of production which has had undue advantage over its competitors and the public on account of its control of credit, that advantage simply will be gone. When we add to that the loss of tariff protection and of patent and copyright monopolies, plus abolition of absentee ownership of land and natural resources, there will be nothing to do for these pampered enterprises but to compete on an equal basis with the rest.

In 1920, there were 290,000 manufacturing establishments in the United States, with a capital of over $ 20,000,000,000, and employing over nine million people. Three and six-tenths per cent of the above establishments employed one-half of these workers and turned out two-thirds of the product. The output of every one of these concerns was more than $ 1,000,000 annually. After subtracting the three and six-tenths per cent from the total number of plants, there are still about 280,000 concerns which are now producing the other half of the total output. With the four great monopolies gone, these plants will be able to double, treble, or quadruple their

political measures which authoritarians propose, there is no single factor that could eliminate economic rent; but there are many and various elements that are constantly operating toward its equalization. The constant diminution of the pristine fertility of the soil, involving a proportional increase in the amount of labor, consisting, of deeper cultivation and more abundant fertilization, required to produce crops. That the question of fertilization of wornout soils is a vital one in estimating the relative values of land is shown by the fact that it requires an average of 674 pounds of commercial fertilizer per crop acre on the originally rich but now depleted soils of Holland to secure normal crops, while the average for the comparatively new lands in this country is only 6.4 pounds. In the course of time, at that rate, the actual unfertilized value of soils may become nearly equal.

Under the Mutualist land program of occupancy and use, before land that is distant, say, a hundred miles from market, is brought into cultivation, all unused land within eight or ninety miles will be under cultivation, and the *demand* for the products of such land will be sufficient to warrant the payment of the higher freight. This increased demand will also stimulate the application of more labor and fertilizer to the land already in use, thereby tending to support more producers to the acre; thus increasing the population and, consequently, the number of consumers of other goods.

The general development of modern civilization tends to equalize, rather than to accentuate, economic rent. Pressure of population in agricultural areas, involving a corresponding increase in consumption of products, creates a demand that brings into cultivation land of lesser fertility. The operation of this force is continuous, and some of the factors participating are as follows:

1. Increase in transportation facilities. Land that was formerly almost inaccessible to markets has, through the use of motor trucks, and at an almost negligible cost, been brought within easy reach of markets. The value of such land is now almost as great as that of land much closer to centers of population. In the dairying districts, it has been the practice of railway companies to make a flat rate for the transportation of milk, so that outlying districts, within a certain specified radius, enjoy the same rates as those near the market. The development and greater use of airplanes will most certainly carry this process much further.

2. In the cities, a similar phenomenon is observable. Motor cars have rendered many distant suburbs accessible to even common laborers, so that the population of the cities is now being spread over much larger areas, improving living conditions for everyone, as this dispersion has relieved congestion. The immediate results of this has been a noticeable reduction in rents in what were, formerly, thickly populated urban areas.

3. Many hilly districts, the land of which a few years ago, was worthless as residence property to anyone except the occasional wealthy individual, are now subdivided and sold to persons of moderate means and even to working people, who, thanks to the advent of the motor car, are able to utilize these areas for homes. On this account, this land has, in many instances, become more desirable, and therefore more valuable, than lower districts closer in, and has to that degree reduced the economic rent of the latter. Moreover, the further improvement of aviation will inevitably extend this leveling process by making accessible higher

surpasses the mere ground-rent usury. And when we realize that the very rise in ground valuation is mainly subject to manipulation of money, the whole question of rent in modern cities largely reduces itself to the question of the monopoly of money. Without the monopoly of money, and through it industry and business, rent might be avoided or diverted, but with a monopoly of money there is no possible escape. If we compare all the interest collected in this country on bonds, stocks, mortgages and other capital, with ground rent alone, the latter is but a mere bagatelle beside it.

Economic Rent

Like the difference that exists between the ability of one individual and that of another, there is a difference between the advantages of land sites. Both of these classes of variation have engaged the attention of sociologists and economists for centuries, with the result that there has been developed a sharp distinction between two opposing viewpoints. On the one hand, there is the group that exalts complete equality as the supreme desideratum, to be achieved at whatever cost; on the other hand, there are those who hold that liberty is the prime requisite of human happiness, to be maintained even at the expense of absolute equality.

The outcome of these two claims is that, in the former case, the end is attained in equality of *slavery* — as shown in Communism; in the latter, the only equality sought is equality of *liberty* — as shown in Mutualism.

The two positions are as far separated as the poles, and they are here thus outlined for the purpose of showing (1) that, as attempts to equalize the results of the exercise of the abilities of human beings end in Communism, a like attempt to equalize the results of the use of all qualities of land must end in the same way; and (2) that, in either case, the end can be even approximately achieved only by the use of invasive force.

Now, between those whose emotions cause them to feel that their greatest happiness lies in equality of enslavement and those who believe that happiness can only be realized through equality of freedom there is a profound divergence, which permits of no compromise. The choice must be made between the two irreconcilable positions. Mutualists have made the choice, and it is on the side of liberty Therefore, having so chosen, they recognize that, like human differences, land differences must always exist. To accept the situation and make the best of it is their policy. And, unlike those who ignore the other economic factors, Mutualists are not dismayed, or even disturbed, by the inequalities that result from the advantages enjoyed by the holder of a superior piece of land. They do not claim or believe that all those inequalities will vanish or can be made to disappear, but contend that economic processes are already causing their diminution, and that the operation of those forces which Mutualism will inaugurate and nurture will further reduce those inequalities to a point where they may be disregarded.

That benefit which the holder of a superior site reaps from its advantages the economists have termed "economic rent." It arises from certain differences, which are, principally: Of quality and fertility of soil; of sub-surface content; of location; of topographical conditions; of meteorological conditions. Aside from the various

output as shown above. In other words, they can turn out the whole product of the United States, and more. The big plants could be left out altogether and would hardly be missed. There is no power in these large concerns to crush their opponents when their special privileges are abolished.

What about the big trusts ?

Take, for example, the largest of the big corporations, the United States Steel Corporation. Its history will be instructive. It was formed in 1901 by a combination of several hundred smaller companies. The physical value of the property put into the company was probably $ 200,000,000 and included mines, smelters, mills, and railroads. There was issued in payment for the holdings of these companies over a billion dollars' worth of stocks and bonds, a fivefold watering of the stock! The Carnegie company at that time had an actual physical value of $ 34,000,000, and received $ 490.000,000 worth of securities in return, a modest increase of 1500 per cent! And all this in one day, with no actual value having been added. This gigantic concern now owns one-half the steel plants of this country and hundreds of thousands of acres of the richest coal and iron lands. It is protected by the government with a high tariff. When the tariff privilege was created in Henry Clay's time, that statesman said that a thirty-five per cent tariff would be ample to protect the infant industries which needed coddling. When the United States Steel Corporation had become a colossus, it was shameless enough to ask for forty-five per cent tariff — and got it.

Now note what happened to this giant that was enjoying privileges on every side. In 1902, a year after the Steel Trust was formed, its common stock sold at $ 25 a share. In 1905, no dividend was paid, and this stock went down to $ 8.43 a share! Here we see the one vulnerable spot, the Achilles heel of these inflated corporations; the passing of one year's dividend reduced the price of shares to one-third of their value in this immense concern that was supposed to be all powerful. If the lack of dividends, for one year only, has such disastrous results, what would happen if dividends stopped entirely? Why, the mere prospect would immediately deflate the artificial value of the concern. It would squeeze all the water out of watered stock.

In the transition, purely economic forces are seen to be at work. No force is necessary; no expropriation. However ill-gotten any present gains may have been, they may be kept. But the stockholders will have to work their plants themselves, if they want to get anything out of them. The land, the mines, all the resources of nature upon which no work has been expended by human hands, will be free to the first actual users. It will be of no avail to point out that the government has given titles to the former owners for that part of the earth with the promise to protect them. Anyone who uses and occupies land will be protected in its possession more securely than ever. But he will not be able to exact tribute from others for the permission to use natural resources.

Forms of Economic Organization

After this discussion of how Mutualism will affect laborers, business men, and corporations, the question arises, toward what particular form of economic organization will Mutualism tend?

Though the predominant type will, probably, be the free association or cooperative, production will show all the various forms of organization that have been developed and found useful by mankind. There will be anything from the extreme individualism of the hermit rancher to the extreme collectivism of the Dukhobors; from the single independent producer to the plant with hundreds of employees; from the individual who distributes his own products, to the cooperative with millions of members. All forms of economic life will be represented, in so far as they can stand up under the free competition of other forms.

The exact opposite of competition is monopoly. Monopoly, or privilege, eliminates competition, or at least puts it at a serious disadvantage. How can there be free competition when the government allows certain agents to monopolize money, unused land, patents, franchises, to the disadvantage of the rest? Competition, to be what the word implies, demands absence of restriction in its operation. Wherever restriction enters as a factor, when privilege exists on one side, competition is limited on the other.

Man is an egoistic as well as a social animal. He knows that in combining he can accomplish more than alone. Such association allows division of labor, it permits each man to select the work for which he is best fitted. The more mankind progresses, the more dependent are individuals upon one another, and the more mutual or reciprocal will be their relations. Slipping a club (monopoly) into the hands of privileged individuals, to the disadvantage of the rest, partly destroys this reciprocity and creates enmity, class hatred, revolutions. It explains why, at the present time, there is not more real coordination and cooperation in society. Real cooperation is fully possible only under equitable conditions. The relations between privilege and its victims cannot be equitable for the same reason that relations between master and slave are not equitable.

But, in spite of the fact that most people are very social animals, there still will be among them the extreme individualist, the one who is different. He is the curious, the adventurous, the experimenter, the nonconformist. Under Mutualism his experiments in new paths will be entirely free and untrammeled, so that society will get the full benefit of the results of his method of trial and error.

Multiformity is the salt of life, and multiformity of organization will exist where there is absence of invasive compulsion.

In spite of its obvious defects, the present system, as pointed out before, is a going concern. As a matter of fact, about ninety per cent of all economic activity is even now reciprocal, although not Mutualistic. Business relations are mostly a matter of trust, credit, and free contract (vitiated, it is true, by the poison of monopoly, as pointed out in chapter I). Were this not so, business relations would be impossible. There is an immense amount of worthwhile activity in the present economic structure. With the removal of the restraints, legalistic advantages and monopolistic privileges the activities of modern life will develop magnificently.

Under Mutualism, the exchange of commodities and services will take place at virtual cost level, which has been expressed by Josiah Warren as: "Cost the limit of

originated in robbery.

Now, bearing in mind this fundamental concept of equality of opportunity, Mutualism attacks land monopoly at once at its most vulnerable point; and where its oppression is greatest — that is, in the holding of vacant land out of use. While the high prices of real estate (and the consequent enormous rentals) in the congested areas of the large cities invite the attack of the various other land reformers, Mutualists realize that these comparatively small parcels of land which are occupied and used by such large numbers of people are not so much objects of their immediate concern as are those vast tracts held out of use by land speculators while millions are deprived of the opportunity to occupy and use them.

To propose to despoil the present possessors of valuable urban property, when they are almost never the original settlers and only rarely the direct descendants of those settlers, being themselves more often the victims than the beneficiaries of the monopolistic system, would in itself be a violation of strict equity. When it comes to be seen by enlightened people that justice does not demand the protection of such persons in the continuation of their exaction of tribute from those who hold no paper titles to the land, it will be a comparatively simple matter for the present occupiers and users of those highly valuable pieces of property to become also the owners. The success of cooperative apartment houses, now being duplicated by that of cooperative office buildings, shows how easy is the transition from the status of landlord and tenant to that of cooperative occupancy-and-use ownership.

Mutualists, therefore, do not feel called upon to make their initial attack upon the validity of titles to land now occupied and used, not merely by one man, but by many men; but they do feel concerned with the monopoly of unoccupied land in both the city and country. Through the freeing of this unoccupied land, the congestion in crowded centers would be removed and millions of persons would be released from the grasp of the landlord.

The Rent-Payer

Tenancy on farms, admittedly an undesirable condition, is increasing year by year. The fixed capital required is so great as to make ownership of farms by farmers more and more difficult. A prime necessity of life is easy access to the land. Nationalization of land would be an undesirable half-way measure, increasing the powers of the State without properly compensating the individual for such additional curtailment of his liberty. Even if it were re-rented to individuals upon payment to the State of the "unearned increment," preference value, or whatever other name might be used instead, the individual farmer would scarcely be better off than at present, as long as the problem of exchange remained unsolved. The same condition may be seen in the city as well as in the country.

The effect of the monopoly of money upon land is first seen in loans and debt, under mortgage, and in its influence upon business generally, as money is made scarce or plentiful. Land values and commercial rents follow the pulse of business. Rent is not only generally regulated by the rate of interest, but it is interest on the capital invested. If we then take the cost of the warehouses, the dwelling houses, and the large manufacturing plants, it will be seen that the interest-rent usury far

even diametrically opposed to, that from which it is treated by all authoritarian solutions of the problems involved. All those movements basing their doctrine on authority have precise plans and meticulously worked out formulas covering every phase of the subject and providing for every contingency that may arise in the application and administration of their proposals. This is possible because they have the power of the State behind them to enforce their schemes. They are able to say that the thing shall be done thus and so because all the police and military power of the nation may be mobilized to cause things to happen just as they have planned to have them happen.

With Mutualism, no such convenient means of bringing about its aims is available. On the contrary, Mutualists expect no revolution or cataclysm of any sort to usher in the new era, and rely in no sense upon physical force to impose their ideas upon dissenting people. They realize that the adoption of any or all of their proposals must come about only through the normal processes of evolution; induced, first, by education, and, second, by a demonstration, by those who understand the problem, of the superiority of their solution and of its complete workability in every phase of modern life.

Therefore, in the matter of land tenure, Mutualists find themselves midway between the two extremes of thought that are now engaging the attention of the world. On the one hand is the regime now recognized and in practice over the greater part of the civilized world, in which absolute titles to the possession of land are granted and defended by a supreme authority; on the other hand are those non-libertarian reformers who propose to put the land completely under public ownership or control, or to confiscate a part of its product. Both of these involve a deliberate violation of the principle of equal liberty, in that the former permits monopoly of land and, therefore, exploitation of some individuals by others, while the latter contemplates the spoliation of the individual by the organized forces of government.

Mutualists believe that both of these forms of inequity may be avoided. They believe neither in giving absolute titles to the unqualified possession of land, nor in denying all titles whatsoever. They propose to recognize conditional titles to land, based on occupancy and use by the owner; and they engage to defend such titles against all comers, so long as the owner complies with those sole conditions of occupying and using the land of which he claims the ownership. Under these terms there can be no monopoly of land, and no one who desires land for occupancy and use may go landless. Since no vacant land may then be held out of use if anybody desires it, each person may, in the order of the priority of his selection and according to his requirements and occupation, have equality of opportunity in the selection of land.

It should be remembered that Mutualism nowhere avows the intention to secure, establish, and guarantee absolute equality among persons. There is no authority or criterion in nature or in reason for such an undertaking. What Mutualists do advocate and are working to bring about is equality of opportunity, and no other proposed system of land tenure than that of occupancy and use can accomplish that purpose; and that tenure may embody all the advantages, whatever they may be, of the present plan, and discard all the disadvantages. In that respect, it is infinitely more flexible than the old method of perpetuating titles that generally

price." The realization of this principle means the abolition of exploitation. The laborer's wages will buy back his product or its equivalent, for prices of commodities will approximate the cost level in a free market and with unrestricted competition. Any momentary advantage due to improved methods of manufacturing will in a short time be reduced by the pressure of new competition. Thus the advantages of greater productivity will redound to the benefit of producers as a whole.

For instance, if a given commodity can be produced in half the time through improvements, it will sell for half the former price, after free competition has come into play as the chief leveler of prices.

The Constitution of Price

How is price determined? Through bargaining in the open market. This is contrary to the notion of Socialists. They claim that value or price should be determined beforehand by the time that has gone into a product.

Nevertheless, under free exchange, value or price is constituted in the market after the goods get there. It is then only that it can be found out how many bushels of rye will exchange for a suit of clothes, or how many loaves of bread for a pair of shoes or a pound of nails. Then and thus only can their respective values be learned. These values will not always be constant. There are disturbing factors in connection with new improvements, changes of population, crop failures, etc. Values will fluctuate to some degree, and they will be slightly unequal and variable. But, under normal conditions of supply and demand, the average price of commodities will constantly tend to approximate the average cost of commodities; and, under free exchange, competition will quickly readjust the occasional disparities between supply and demand.

Mutualists believe that the development of industrial society has effectively demonstrated the fact that anybody can be useful in a productive way. Industrial engineering is able to make use of all human types. Ford has demonstrated it time and again. Division of labor *does* demand variety of human inclinations and capacities. Furthermore, can it be said that a one-legged man is at a disadvantage against a two-legged one when all the labor of both consists in drilling holes into an iron casting, while being seated on a stool? Under primitive conditions, such as personal combat, agricultural pursuit and the like, the one-legged man would certainly be handicapped. But modern machinery tends more and more to obliterate personal skill or special capacity. With increasing mechanization and standardization of processes, the skilled mechanic is replaced by the specially trained but otherwise indifferent worker.

So there is the spectacle of the activities of men becoming more and more diversified and yet, with the use of machinery, coming closer and closer together in point of productivity; and equal or similar productivity will be reflected in equal or similar compensation. No doubt there always will be minor fluctuations in earning capacity due to superior qualities, as in the case of a skilled surgeon, a talented singer, a gifted artist, or a poet of genius. Also exceptional executive ability, inventive genius, engineering training, or the performance of a particularly

distasteful activity, may be rewarded more highly. It will depend always on the supply of available competitors; and it can safely be left to the self-interest of men in general to prompt them to see to it that the opportunity for larger remuneration or shorter working time is taken advantage of if there is enough in it to make it worth while.

These economic relations under Mutualism have been discussed at some length in order to demonstrate how easily and equitably matters will adjust themselves if left to the natural trend of Economic forces. Commodities will then be produced to be exchanged for other commodities, for the satisfaction of human needs. This is very different from the present situation where the interference of privilege produces such an absurd muddle. The conclusion may be drawn that all that is necessary to supply the needs of society as a whole in the best possible way is simply this: "Laissez-faire." But not laissez-faire in the sense of "letting things slide and the devil take the hindmost," but rather in the sense of letting each one do what he wants to or thinks best, as long as he remains non-invasive. When the producer is the owner of his product and there is a free market where he can exchange his goods for others necessary to him, it will be a matter of course for every human being to produce things for which there is a call. For only then will he be in a position to accomplish the purpose of his economic activity, which is precisely to satisfy his own needs to the fullest extent with a minimum of effort. His own self-interest is intimately bound up with his service to society. Thus we see that, under freedom, so called morality is self-regulative, inherent in the system.

Patents and Copyright

Copyright and patent laws compel society to pay a monopoly price to an individual or his assigns for a number of years for the permission to use ideas which he claims have originated with him. But all individual action (including thinking) is original, regardless of any question of priority. However, that does not mean that it could have taken place without a very definite background. The scope and intensity of this background are more important than the mind of the inventor. For, with a certain background provided, a large number of individuals will develop and arrive at very similar ideas almost simultaneously; while, without such background, these particular ideas might not be conceived by one individual in a million.

Modern psychology is performing a priceless service in exposing and eliminating many antiquated conceptions about the working of the human mind and by demonstrating the relative importance and nature of the stimuli calling forth mental and physical responses. Ideas (inventions) cannot possibly arise out of a void. On the contrary, they are merely minor or major culminations in an interminable chain of stimuli and responses without the precedence of which they themselves could have no existence in the mind. An inventor can in truth call but an infinitesimal part of his idea his very own. And, even this bit of the performance may have been done already by someone, somewhere, unknown to him, or may be repeated any time, unwittingly, by others. What presumption, then, to attempt to levy a tax upon all mankind for so minute a contribution to the world of ideas as any single individual can possibly make! Measuring with the same stick his

by precepts and restrictions that have nothing but compulsion behind them. The human race is getting along famously with a greater amount of liberty in those matters, and the removal of restrictions has always developed and will always develop the ability to do without them.

VI
LAND AND RENT

The problem of land ownership and use is undoubtedly one of the important issues in any proposal for economic reorganization. Land, in its economic sense, means not only the earth, but all natural resources as well. It means all natural opportunities for labor to exert itself.

"Labor, in order to produce," says John Beverly Robinson, *"must have material whereupon to work, a place to stand while working, a place to lie while sleeping. The farmer uses land directly; the cobbler and actor both directly and indirectly. Both cobbler and actor must have a place to live and a place to work, and for these they use land directly; the cobbler, in addition, must have leather, which ultimately comes from the soil; and both cobbler and actor must have food, which also comes from the soil; and for these they are depending upon the land indirectly.*

"Even water is land, economically speaking. Opportunities to produce are presented by waterfalls for power and by rivers for irrigation, by lakes and oceans for fisheries and by all navigable waters for transportation. ..."

"If the whole earth were owned by one-man, it would mean that he would have absolute power, in law, to prevent all the rest from working or even existing upon it. He could put up his signs, 'Trespassers not allowed,' and there would be nothing for it but to emigrate to another planet. Or if the earth were owned by a hundred million men, it would leave the remaining fourteen hundred million equally subject to the sovereign will of the land owners."

"And that is precisely the state of affairs that prevails today. The population of the earth is estimated at something like 1500 millions. Of these, how many are land owners? We can only guess. One in ten? Surely not as many as that. One in a hundred? Perhaps one in a hundred. That would be fifteen millions who own the earth and hold the lives of the remaining fourteen hundred and eighty-five millions in their hands."

As a preliminary to any discussion of natural resources, it should be pointed out that Mutualism approaches this matter from an angle totally different from, and

dissemination of reliable road information. According to a recent pamphlet, more than 120,000 road signs have been erected and are being maintained by this club. It furnishes insurance to members without a profit; it employs experienced detectives to foil car theft and recover stolen automobiles; and the highway patrol service is different from the patrol of the county speed cop; it is a boon to the motorist instead of a bane. It is courtesy extended to motorists in distress, whether members or non-members, and includes mechanical first aid, towing to the nearest garage, changing of tires, furnishing of gasoline or oil at cost, giving free information, removing of glass from the highways, disentangling traffic jams, posting temporary signs, in short, aiding instead of harassing the motorist.

Why are all these activities recounted? Because they show, in the first place, a non-profit organization at work at the present time; secondly, because they prove that such organizations may be public spirited and extend benefits to others who do not pay for them; and, thirdly, because here is an organization that might serve as a nucleus for a road league of the future.

In Russia, the Cooperative Societies are engaged in road building and in organizing and conducting postal service.

In the United States, we may assume that when the time comes, for the question to be solved, an association will be formed in any given district consisting of the Automobile Club, the Citizens' Road; League, the Chamber of Commerce, the local Improvement Club, the Motor Express Association, etc.

Anyone who has acquired the mental habit of demanding paternalism without having given much thought to self-initiative of individuals and groups under freedom will find it difficult at first to think objectively on the solution proposed here. In reality, it is nothing more than a straight business proposition for the parties interested, and on a scale not any larger than many other undertakings of today, handled without the help of force. If roads are built by business organizations, it goes without saying that corruption, which is always connected with similar undertakings of governmental authorities, will be absent.

In a similar way it will be possible to handle other semi-public enterprises, such as sewers, water supplies, power plants, organization of traffic on the streets and in the air, or radio broadcasting; that is, through the organization of the interested.

Take traffic, for instance. This is admittedly not a police, but an engineering problem. The road league would build the streets with an eye to preventing congestion and dangerous crossings. The automobile club would have its officers directing traffic and calling people's attention to the observance of necessary rules, personally and through educational campaigns.

If it is kept in mind that in former times there were a great many activities that were supposed to be possible only under the leadership of authority or coercive regulation which are now left with better results to the free contractual arrangements between individuals, it is easier to see that men are capable of learning to do by voluntary association in the future much that now seems difficult without the strong arm of government. The guilds of the Middle Ages prescribed very minutely and narrowly the status of the producers, preventing development by their inelastic laws, which were thought to be all for the best. The Church, after hundreds of years, has finally learned to realize the fact that men will not forever be coddled and hedged in

indebtedness to mankind as a whole for the host of ideas upon which he drew, and without the existence of which he might not even be alive, even the most ingenious inventor would find that all the royalties and tribute he might collect from one generation of men could at best pay but a small fraction of the debt which he owed to the generations of men who had preceded him.

The granting of a patent or copyright to one individual denies the freedom of all other individuals to utilize the same facts, or to develop from them the same or similar ideas, and to employ such new ideas for their private gain. And such a prohibition violates the law of equal liberty, no matter whether its duration is intended merely for a year or for all eternity, except that in the latter case the injustice would be so apparent that its own enormity would smother its observance. Let us suppose that perpetual patent and copyright had existed from the beginning of civilization and that all inventors had claimed their "rights." In that case there would be royalties on the wheels, the saw, the knife, the axe, the plow, various processes in every manufacture of money, paper, fire, glass, hinges, springs, locks, shoes, ink, the alphabet, musical notation, numbers, arithmetic, bookkeeping, etc., etc. In fact, progress would have been retarded so much that many of these things would not be utilized to the fullest extent even today.

But there is another serious objection to patents. Many readers will perhaps consider it the most important and most valid objection. It is the fact that the holder of important patents (who is usually not the inventor himself; the latter is usually disposed of quickly, with but a fraction of the expected royalties and with no voice in the application of the invention) will not only he able to exact such high monopoly payments as to come within a small margin of eating up all the benefits made possible through the use of the patent, but that he will also be able to dominate and monopolize entire industries, by the simple expedient of threatening to withhold the use of his patent unless his wishes are agreed to. Much of the power of the trusts would be gone, if their monopoly rights to various patents were no longer protected by the State. Competition would have freer play, and prices on those commodities whose efficient production depends on the use of existing patents would drop beyond all expectation. The general quality of goods would improve and the people at large would reap the benefits. It would be hard to estimate how many valuable patents have in the past been bought up merely to be destroyed or suppressed, since their adoption would have made obsolete and worthless certain large plants and costly equipment or big stocks of goods manufactured on the old principle.

As to the author, it is not contended that he should not be compensated at all for his efforts and for putting his talents or his genius to use for the benefit of other individuals. The author of a book has always the power to enforce his normal right of ownership by requiring that his book be published by subscription, a method which is not so infrequently resorted to even under legal copyright. The journalist is usually paid outright and does not depend on, nor expect, his compensation to consist of royalties.

A writer who made authorship a profession would be compensated for the extensive free publication of his earlier works by the increased demand for future contributions from his pen, which he would be able to hold as private property until his publishers, or the general public, had agreed to pay his price for them.

As to the contention that non-recognition of property in ideas would leave us without a literature, it is sufficient to point out that glorious literatures existed and flourished thousands of years before copyright was dreamed of, and that Shakespeare himself wrote his works more than a century prior to the enactment of the first copyright law. As George Bernard Shaw has well said, the cry for copyright is the cry of men who are not satisfied with being paid for the work once, but insist on being paid twice, thrice, and a dozen times over.

Distribution

Most critics of the present system dwell on the unfair distribution of products, but this is of relatively small importance. While distribution is admitted to be grossly inequitable, its reduction to exact equality would help very little, as defenders of capitalism quite correctly point out. The basic defect in our present system is that it hampers production. While modern machinery and methods: have made possible a productivity fifty times that of hand labor, the worker is not very much better off than the poverty-stricken wight of Burns' time. Compared with what could be produced if privileges did not interfere with economics, the present system is poor and most inefficient. If the problem were no more than the distribution of this meager amount, it would mean very little benefit to each individual. As demonstrated in the preceding pages, the advantage of economic liberty will be that industry will work at full capacity, instead of at only a fraction of it, and to bring about equitable distribution of that is worth the effort.

In a different sense, the process of the distribution of goods is merely an extension of production. The product of the sheep-man is the wool; to the spinning factory this is raw material, which is worked up and sold, as yarn, to the knitting mill; the yarn is manufactured into wearing apparel, which in turn is sold to the stores; the storekeeper puts them on his shelves, and the goods are still in the process of production until they are sold to and worn by the final customer. Every time the partly finished product is transported, another step in the production is accomplished. Distribution is a vital part of production.

While the medieval world was provided for practically by local production in the village or town, requiring comparatively little distributive machinery, modern production is an entirely different thing, necessitating a vast distributive organization. A great variety of goods is exchanged on a large scale between distant parts of the globe. And the interesting fact about this capitalistic distributive machinery of today is that it functions largely on a voluntary basis, that its essence is: contracts between the units concerned, not laws and statutes handed down by a coercive power.

Trains of different railway systems of different countries meet one another, pull one another's freight cars and passenger coaches; they meet steamers, and these meet other steamers, trains, airships, trucks, rickshaws, and what not — by voluntary agreement and free contract. The only disturbing elements are the various governments, granting monopolies, interposing customs barriers, tariffs, battleships, forts, and once in a while a bloody war that destroys for a few years those amicable social and commercial relations established between producers the world over. And

other words, having the main backbone of governmental enterprises taken away — namely, the right to make up a deficit by compulsory taxation — the railroads had to do business like any other human undertaking, on the strength of its service to the consumer.

Throughout its life the Post-Office, the greatest single governmental service in the United States, has shrunk away from competition with private enterprise. There seems to be ground for the claims of its early opponents that it was originally established to reward the politically deserving and to make it possible to whip up the vote in the back-country in times of need. At any rate, we know that when it was established there was in existence a pretty effective system of interconnected private post routes that were gradually crushed by governmental disfavor and legislative restriction. Ever since that time, any virile competitor has been crushed — never by competition but always by restrictive and confiscatory laws.

When, in 1844, Lysander Spooner threatened to put the government post-office out of business through his private competitive system, the Congress hurriedly cut letter post rates a third, and then in panic cut them again in half - making up the operating deficit by a new set of tariff exactions. Finding that this enterprising Yankee still threatened to give a better service at lower cost, Congress outlawed the private transport of letter mail. Through threat of prosecution, Spooner was compelled to quit, but his activity had, in a year, cut the postal charges of the country to one third of the former amount.

For almost a half century the Wells-Fargo Express Company beat the government in open competition as a carrier of letters throughout the whole Western United States. At first the private company gave the better deal both as to cost and service. Even though, later, the government confiscated part of the company's receipts through compelling it to pay full postage though a government employee never touched a letter it carried, it continued to hold much of its postal business for years, until it was gradually overcome by heavily-subsidized rural routes.

Quite recently enterprising lads in the larger cities proved themselves able to take from the government the business of handling letter mail between office buildings. That too, has been stamped out by governmental decree and, although one is still permitted to send a note by messenger, this greatest American Socialist institution now has a clear field — and its prices are beginning to rise. With this experience behind us can anyone be fearful of private and competitive postal services?

While it may be quite patent to most people, there are some who cannot visualize how streets and high-ways will be built by any other agency than that of government. Most persons can only imagine profit organizations on the one hand, or compulsory organizations, such as governments, on the other, as agencies for carrying on the business of society. Once they get the idea that non-profit organizations can take over those functions without gouging the public and also without enslaving the people, it is easy to show them how more involved problems can be taken care of. For this purpose, we may point to the various automobile clubs in this country, and take as an example the Automobile Club of Southern California.

This non-profit organization was started in 1900 by a few motorists with the object of mutual protection, the promotion of good highways, and the collection and

franchise of public utilities, little recognizing that the franchise itself is the cause of exploitation. But can the great enterprises necessary to the public service of our complex industrial civilization be developed and maintained without protective franchises and even government subsidy? They cannot pay a monopolistic profit without protection, but Mutualists are quite sure they can give service without it, and, more, that, through the pressure of competition, they will do so.

Public utility corporations operating under exclusive franchises are not subject to direct competition. The rates they may charge for their services are usually fixed by the commissions or the legislative bodies granting the franchises. These rates are based on the prevailing rate of interest, and at present generally are seven per cent or more on valuations, which, through inclusion of capitalized franchises, good will and going concern value, are usually vastly greater than the cost of the physical property upon which the rates are collected. The Mutual Bank, by reducing interest to zero through the monetization of available wealth, would force rates to conformity to the new conditions, or answer to an aroused public opinion. The public utility corporations thus would be shorn of their power to pilfer, and would eventually be transformed into organizations rendering service at cost.

Semi-Public Service Enterprises Under Mutualism

Frequently, Mutualists are asked how they propose to run railroads, large steamship lines, build communal sewers, streets, water systems and the like. To a European, accustomed to having the railroads run by his government, it seems nearly incomprehensible that such a public necessity could be run privately. Yet railroads are run by private concerns in many countries, including the United States. The fact that they fleece the public is due to causes other than the fact that they are privately owned. It is due to the government-delegated monopoly of franchise, coupled with those of land, money, and patents

Under Mutualism, competition will hold the charges of railroads down to approximate cost. For instance: suppose that an association of shippers decided to build a road from New York to the West Coast, giving service at cost to its members. The mere threat would have a wholesome effect on the existing railroads. But if that does not help, then a new road will be built; and, the control of credit being no longer in the hands of the financiers, there will be no difficulty in getting the necessary credit through the Mutual Bank. The old roads will be compelled to meet the situation.

An interesting experience with the railroads could be seen in Germany in 1925-1926. Under the Dawes plan, the government roads are practically taken over by a private corporation, under a trusteeship, the government acting merely as one of the many stockholders. Travelers in Germany commented particularly on the changed attitude of the railway officials in regard to the treatment of passengers. The tendency of public functionaries everywhere, including Soviet Russia, is to become dictatorial and overbearing toward the public, and Germany was the El Dorado for this, on account of its many socialist ventures in government. After the transfer, the road developed an interest in treating its customers decently, as does any private concern, since they are the source of its income and very existence. In

within each country, the same disastrous effects of government-granted monopolies are seen in the distributive industry as were noted previously in the discussion of industry as a whole.

Mutualism makes no prescription as to the form of distributive agencies. All forms will be possible, and the freedom to experiment will bring to the fore those forms that are the best for the particular persons and the particular situation. The various voluntary cooperative distributing societies of the present day are pointing the way to what can be done on a large scale even now. What distinguishes their mode of action from the capitalistic system of distribution is that the ultimate consumer, instead of being filched at every possible turn, shall receive his goods at cost plus handling charge. The tendency is to give service at cost; and, if a great number of cooperators realized that the same principle should and can be established in the furnishing of credit, they would make even greater progress than they have made so far.

The chain stores, to all appearances a modern capitalist invention, had their origin in the European co-operatives. Selling goods at retail today is a very different thing from what it was when the cooperative movement began in England in 1847. The workers of that time were in a condition of abject poverty. They bought the poorest goods, in painfully small quantities. Besides, the goods were adulterated, and the purchaser was swindled by short weight. This fourfold disadvantage the cooperators sought to overcome, and from the humblest beginning they built up a system of stores that came into successful competition with the gouging merchants. They at first had their single store, then branches in the same city, Rochdale, then stores in other cities; they started their own bakeries, and, with a growing market, their other manufacturing establishments. This is still the way they start and grow. No new productive plant is opened until there is a strong enough demand from the distributive units for the product. This is a development toward elimination of the middleman, and it is highly probable that the distribution of the future will be more and more directly from the factory to the consumer.

The high development of capitalistic chain stores in the United States presents quite a problem to consumers' cooperatives, These stores are selling at a margin of profit that makes it difficult for a small store to compete with them. The development seems to point in the direction of eliminating the retail store in the future to a very large extent; if not altogether, to such an extent that it will be superseded by, or become merely the distributing agent of the factory, mill, or shop where the goods are produced. Eighty years ago, the housewife was a spinner weaver, brewer, baker, and laundress. But she has abandoned one after another of these occupations, some fully and some partially, and perhaps in time they are all destined to go. The rest of the kitchen work may follow. Whether it will be done in a central kitchen for a hundred families at a time, or by bringing the food to the home already cooked at mealtime, or by any of various other schemes, will depend entirely on the demand from a large enough number of people.

Price Without Privilege (Tariffs, Franchises. Etc.)

Every woman and man in the street has a general idea that the reason it is so

hard to make both ends meet is because prices are too high. And prices *are* too high — especially the prices of the food and clothes and shoes and furniture that everybody eats and wears and uses. One of the most widespread factors of high prices is the special privilege of gouging the consumer offered so generously by the government to industrial capitalists through the tariff.

The word "tariff" is itself a symbol of piracy. It comes from the Arabic word for account or record and is said to have drifted into the Spanish and French languages and thence to English, as the term used for the accounting required of merchant ships by the pirates of the North African coast and the Eastern Mediterranean. The "tariff" became the tribute paid to avoid seizure. It has continued to be pirates' tribute throughout its use, even by the most respectable governments.

Mutualists are free traders because they believe in freedom, and not, like the Democratic party, because they must have a political campaign issue; or like the Single Taxers, because they believe in collecting all taxes from the land alone. They are against the tariff tax for the same reason that they are against all other taxes — namely, that all compulsory taxation contravenes the principle of equal liberty; and for the further reason that all the services and activities for which taxes are now collected could be more efficiently and more cheaply performed through individual enterprise and voluntary association.

The merest tyro in the study of political economy knows that the general effect of a tariff on imports is to raise the price, not only of the article actually imported, but also of all such articles produced inside the tariff barrier. Normally, the domestic producer may add to the price of his product the actual duty that the importer must pay, and can pocket that as his extra profit. Only when the production cost of the foreign article is so low that it can be delivered inside the barrier, duty paid, at a price no higher than the domestic producer would have to charge if there were no duty, can the latter be prevented from exacting his super-profit.

However, since tariffs are never imposed strictly and flatly, for revenue only, and since the main object of such impost — in the United States, at any rate — has been the protection of certain home industries, care is scrupulously taken to place the duty at such a point that the privileged ones reap the benefit. No one, nowadays, has the effrontery to pretend that any one but the consumer pays the duty. Consequently, every fraction of a cent that is exacted by the customs collector is reflected promptly and equally in the price of the taxed commodity, whether it be the imported or the domestic article. Not only that, but the general tendency is to pyramid the prices of tariff-protected articles through the fact that a profit is charged upon the tariff at every exchange, each middleman through whose hands it passes taking his toll. What the effect on prices would be were the tariff completely abolished is easily pictured when all the factors controlling production costs in the various foreign countries are taken into consideration.

Now, the tariff tax, like all the compulsorily levied exactions of government, is a direct violation of the principles of Mutualism; and it is especially obnoxious because it makes no pretense at being equitable. It is one of the four major privileges which enable the beneficiaries thereof to exact tribute from the unprotected and unprivileged citizen. It is one of the mothers of monopoly, and many great trusts would find it impossible to wax fat without it.

If one buys an ordinary union suit, more than one-third of its price is there by reason of the tariff placed on foreign imports of union suits. Most union suits bought are American made, so that the government itself did not get the tariff revenue, but the manufacturer of the union suit did. A fractional part he may have passed along to his workers as wages, but most of it he pocketed.

In addition to this original profit to the manufacturer there are compounded profits all along the line of distribution. On a $ 3.00 union suit the jobber pays the $ 1.00 tariff profit and changes 20 per cent on that. The wholesaler pays the $ 1.20 and will add another 20 per cent; and so it goes down the line — profit made in every case on the cost and on the tariff surcharge permitted. And finally the dealer charges the customer an extra $ 1.75 or $ 2.00 above what would be charged if the tariff were not acting to continually inflate prices.

There is a tariff charge in practically everything that one eats and wears, and it must be remembered that in every case the original tariff charge is compounded over and over as the goods are bought and sold. The same thing that has been said of union suits applies to sugar and to furniture, to safety razors and to men's suitings.

The minimum tariff charged upon dutiable goods (most of the things in the household) is about 30 per cent and has been so under both Democratic and Republican administrations for fifty years. With the additions of compounded profit, the total paid easily amounts to 50 per cent of the original and proper cost. With its removal, prices would immediately fall to their proper internationally competitive level. This, together with the vast increase in production effected under Mutualism, would mean that the problem of making both ends meet would be solved.

We recognize, however, that a premature removal of the tariff would give this country an unfavorable trade balance. An extended period of free trade in the United States would have a tendency to drain the gold into such countries as England and Germany, which, with their low-priced labor, could flood this country with their cheaper products, thus causing (under the present monopolistic system of credit) a scarcity of money here and forcing this country to borrow the gold back again and pay interest for its use. The laborers in the unprotected industries, though gaining by the reduction of prices when the tariff was taken off, would have to face the competition of the laborers thrown out of employment in the industries which were formerly protected, again depressing wages to a lower level. So, while Mutualists fully comprehend the outrageous boosting of prices by the tariff, they would not favor its general removal unless coupled with the inauguration of that free trade in banking which would make money and work abundant.

We may be sure that wherever we find legalized monopoly there is exploitation of the consumer. The tariff exhibits it very clearly, but no less certain is the exploitation effected by franchise holders. It is worked like this: An enterprising attorney without clients has had time to get together a number of business men and raise the money for a local power plant. The business men have in turn induced politicians to grant a franchise. Immediately the franchise is granted it has been calculated to be worth something in good will. And the good will in turn has been charged for as part of the capital on which a profit had to be made. The State itself has been compelled to curb some of the exorbitant charges made possible through