

## CHAPTER XVII

### THE ASCENDANCY OF PRIVILEGE

HUMANITY, as we have seen, has bound itself, as the Lilliputians bound Gulliver, with a thousand thongs. It is fettered by its own institutions; it is bound by its own laws. Freedom is progressively reduced by privilege and monopoly in every department of life. Again, as under the ancient *regime*, society is enmeshed with class-made laws, which interfere, at every turn, with the production, distribution, and exchange of wealth.

In the opening paragraph of *Protection and Free Trade* Henry George has symbolized the condition of modern society in the following words: "Near the window by which I write a great bull is tethered by the nose. Grazing round and round he has wound his rope about the stake until now he stands a close prisoner, tantalized by rich grass he cannot reach, unable even to toss his head to rid him of the flies that cluster on his shoulders. Now and again he struggles vainly, and, after pitiful bellowings, relapses into silent misery.

"This bull, a very type of massive strength, who, because he has not wit enough to see how he might

be free, suffers want in sight of plenty, and is helplessly preyed upon by weaker creatures, seems to me no unfair emblem of the working classes."

We are the architects of our own misfortunes. We have created the millionaire along with the pauper, the palace along with the slum, by laws inscribed on the statute books at Washington, in the capitals of our states, and in the council chambers of our cities. It is through legislation that America has been divided into classes, the class which produces the wealth of the world and the class which appropriates it. For classes have arisen in this country, however much we may seek to disguise it. But the line of division is not between the capitalist and the wage-earner; it is between those who are encamped within and those who are encamped without the citadel of laws which the ascendant class has erected for its own advantage. For the control of the government has been in the hands of an economic class almost continuously from the very beginning.

The struggle to control the government made its appearance with the birth of the nation. The protective tariff, the excise laws, the national bank act, these, together with the assumption of the debts of the states, as proposed by Hamilton, were inspired by the interests of the commercial classes of the seaboard, who saw in the new government a means for promoting their interests.

Hamilton was the protagonist of these classes, just as he had been in the Constitutional Convention. He laid the foundations on which privilege has ever since reared itself. In devising a revenue system he adopted the models which the landed aristocracy of England had evolved to shift the burdens of government onto the poor. This, too, was a heritage of feudalism. It came to us along with the common law and our ideas of private ownership of the land. And the models which Hamilton used were the result of a conspiracy entered into between Charles II and the land-owners in Parliament in 1692. Prior to that time the needs of the crown had been largely supplied by feudal dues paid by the great land-owners, just as dues and services were paid to them by their dependants. It was over these grants to the crown that most of the great constitutional struggles of England took place. By an arrangement entered into in the close of the seventeenth century, however, these controversies were brought to an end. The barons agreed that their lands should bear taxes to the extent of two millions of pounds, at which point their taxes were later irrevocably fixed. In addition to this the crown was to receive certain indirect taxes on consumption which were largely paid by the poor. By this arrangement the common people were made to bear the bulk of the taxes, while the barons were relieved of their feudal

dues. In so far as the barons are concerned this compact has never been disturbed. Their lands have never been revalued from that day to this. Their land taxes still remain as fixed at that time. But the indirect excise and customs duties paid by the poor have increased until to-day they amount to \$300,000,000 a year. By this arrangement the king was assured a source of income which could not arouse resistance, a source of revenue which has ever since been used by privilege. Since that time there has been no serious conflict between king and Parliament. The control of the purse-strings has passed to the territorial aristocracy. There is no taxation by representation in England even to-day, and it is the attempt to establish that fact that precipitated the budget fight of 1909. Great Britain is taxed by an economic class, a class which has exempted its lands and privileges from taxation just as it has in America.

This was the system that Hamilton took as a model. It has remained the basis of all subsequent legislation. Under the first revenue measure of Congress wealth as wealth was entirely relieved of taxation. A national bank was provided for which served the interests of the Eastern trading classes, just as does the banking system to-day. It concentrated the available credit of the country in the East.

From the election of Jefferson down to the Civil War the government was in the hands of the Democratic party. The functions of the Federal Government were limited, the tariff was reduced to a revenue basis, and the government was tolerably free from the control of the commercial classes. The controversies over the tariff were a rancorous issue in Congress, as were the repeated efforts to re-establish the United States Bank. At no time, however, did the business interests control the government as they had under the Federalist party. They were held in check by the South and the West.

During the generation which preceded the Civil War a new alignment of interests arose. On the one hand were the manufacturing and trading classes of the seaboard. On the other hand were the cotton-planters and slave-owners of the South. Both sought to control the government, and both were animated by the same motive. The former desired a protective tariff, designed to give them a monopoly of the home market. But protection was a menace to the South, interested as it was in the production of cotton, tobacco, and sugar, and desirous of the freest possible trade with the outside world. Between these two economic classes there was no possibility of compromise. And the South was supreme in the councils of the nation. The slave-owning classes controlled the Presidency, Congress, and even the Federal judiciary. The

patriotism of the South reflected the interest of its ascendant class. Men rallied to the call of South Carolina, Virginia, and Mississippi for the preservation of an economic system, rather than for any ideal of state sovereignty. And the commercial classes of the North were inspired by no higher ideals. They were, primarily, interested in the tariff. They desired to share with the cotton-planters the privileges which only the Federal Government could bestow.

To the trading classes of the East the Civil War was opportune. The representatives of the slave states retired from Congress. There was now no economic class sufficiently cohesive to withstand the aggressions of the manufacturers. At the same time the cost of the war left the nation an easy prey to the demands for protection. The needs of the Treasury were insatiate. Unparalleled revenues had to be raised. The manner of their collection could not be too closely scrutinized. The maintenance of the Union was of paramount importance. On the convening of Congress in 1861 the tariff was raised in an unexpected way. From this time on the number of protected articles, as well as the rates of duties, was constantly increased. Scarcely a month of any session passed without some change being made. The tariff acts of 1862, 1864, and 1865 violated every tradition of the country, and every expectation of those who had

supported the Republican party. The necessities of the war engrafted the policy of protection so completely upon us that neither of the great political parties has since been able to effect its reduction.

An elaborate internal revenue system was added. Every conceivable commodity manufactured within the country was taxed, as was every accessible transaction. The excise was designed, as David A. Wells has said, on the principle of the Irishman at Donnybrook Fair: "Whenever you see a head, hit it; whenever you see a commodity, tax it." Many articles were taxed over and over again before they reached the consumer. The duty on distilled spirits was increased until it amounted to a thousand per cent. on its cost. Taxes on cigars and tobacco were repeatedly raised until revenue evasion became a most profitable employment. The high duties were responsible for all sorts of tax frauds. The corruption of the Whiskey Ring, which culminated in the disclosures of Grant's second administration, grew out of the excise system.

Along with the bargaining over the tariff, the excise system, and tax evasions went fraudulent army contracts, collusion of officials and speculators, and all of the corrupting influences which follow in the trail of a great war. Privileges of every sort forced an entrance into Congress, too much engrossed with saving the Union to scrutinize

the details of legislation or administration. In these days of sacrifice on the part of the people, the foundations of many princely fortunes were laid, while private interests intrenched themselves in every department of the government.

During these years of suffering on the part of the people, Wall Street identified itself with Washington. Under the administration of Secretary Chase the Treasury carried through its borrowing operations with the aid of the New York banks. Billions of securities were sold at home and abroad. An intimacy was thus established which has continued ever since. With but slight and occasional interruptions, the Treasury portfolio has been intrusted to bankers whose instincts and interests have led them unconsciously to identify the welfare of the country with the business in which they are engaged. The National Bank Act united the government still more closely with the financial interests. These, together with the complex monetary system which has been created, have woven the operations of the Treasury Department into a close dependence upon the big financial institutions of the country.

Upon the termination of the war all moderation was thrown to the winds. Instead of being reduced, tariff schedules were increased to suit whoever wanted protection. Oppressive tax measures were fastened upon the people with every show of pa-



triotism. The revenue measures were framed by the big business interests. Wealth was absolutely freed from taxation. This was done with such an assumption of patriotism that the fearful injustice of it all has been concealed. Yet it is doubtful if hereditary privilege in any country in Europe has been more unscrupulous in the use of its power, or gone further in exempting itself from taxation, than have the privileged interests in control of Congress. The entire burden of taxation has been thrown upon consumption. No attempt has been made to reach wealth in any form.

During the decade which closed with 1870 the railways were invited to the feast. They took what they wanted of the public land. In less than a decade the Pacific railways alone secured more than 100,000,000 acres of the public domain as an aid to their construction. These magnificent grants, whose combined area equals that of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania, were supplemented by a loan from Congress of \$60,000,000 more. The consideration for these subsidies was the construction of the Pacific railways a few years in advance of the natural development of the West.

Along with the railways were corporations, individuals, and syndicates which appropriated forests and mineral resources, whose value is so great as to be

merely a matter of conjecture. Members of Congress saw no wrong in conveying to themselves, or to corporations in which they were interested, the richest lands of the West.

The *Credit Mobilier* grew out of the railway-aid mania. This was a corporation with a French name organized as a construction company for the Union Pacific Railway. Its stockholders were the same as those of the railway, which had secured valuable land grants from Congress. The scandals growing out of the ownership of its stock by public officials involved the Vice-President, the Secretary of the Treasury, the Speaker of the House of Representatives, and many Congressmen who were believed to have been influenced to vote for legislation favorable to the railroad by virtue of the stock which they held in the company.

Thus the necessities of the Civil War commercialized the government. So absorbed was the public in a struggle for self-preservation, that privilege gained an easy entrance into our politics. The slave-owning oligarchy had been content with the *status quo*. It was on the defensive. In the years which followed the war, however, privilege became arrogant. It came to believe that business is the sole end of the government. The exhaustion of the struggle left the people an easy prey to such a philosophy, a philosophy from which they are just beginning to be aroused.

Following the close of the war, a revenue commission was appointed to devise means for the reform of the revenues. An immediate reduction of the tariff and internal taxes was recommended. But Congress refused to reduce the tariff, although an immediate abatement in the excise duties was ordered. For the purpose of endearing the tariff to the wage-earner, a deadly parallel was drawn to show the impoverished condition of labor under free trade in England. Since that time the protection of American labor has been the wall behind which the trusts have sheltered themselves. In each successive campaign this argument has been paraded to the exclusion of all other matters of national concern. Finally, after years of agitation, Mr. Cleveland was elected President in 1892, on the platform of tariff reform. For the first time since the war both houses of Congress, as well as the Presidency, were in the hands of the Democratic party, and the programme of tariff revision to which the party was pledged was ready for enactment. But what was the outcome? We had sown the wind; we were to reap the whirlwind. One of the costs of protection appeared in the Wilson-Gorman Bill, which was finally presented to the country. This measure purported to reduce the tariff, and in many instances did so, but so little disguised was the policy of protection in it, and so shamelessly had "tariff reform" been aban-

done that the country repudiated the measure. The contest before the people had been an honest one. In Congress it was not one of principle, not one of the country's well-being. It was a struggle of warring interests which openly bought protection or secured control of the party in power. At the next election the Democratic party was defeated and discredited. It has never regained the confidence of the people.

During the intervening years politics and privilege have been merged. The Federal Government has passed into the hands of an ascendant economic class. The brain of this merger is in Wall Street. From this nerve centre the outermost extremities of our social and political life are controlled. In this merger the railway interests predominate. For they are concerned with state as well as Federal legislation. They are perfectly catholic in their politics and identify themselves with the Republican party in a Republican state and the Democratic party in a Democratic state. In most instances the railways control or constantly seek to control both parties. Here and there the railway interests are subordinate to those of the mine-owner, the franchise corporation, or the land and timber interests of the West. These great interests, with their capitalization of from twenty-five to forty billions of dollars, are concentrated in Wall Street. They respond

sympathetically to any action which threatens their political control or imperils their privileges.

These interests ramify back and forth into one another much as the crowned heads of Europe are united by marriage connections. They have common boards of directors. They are united by a class-conscious instinct, and are in perfect harmony as to their interests.

In every city may be found a group of lesser feudal barons. They own the minor privileges. Their instincts are the same as those of Wall Street. They control the local press and the agencies of public opinion. They corrupt the governments of city and state. Between them and the great mass of the people there is a natural line of cleavage. On the one hand are those who control the government in their own interest. On the other hand are those who do not.

It is by this process that the politics of America have passed into the hands of an economic class. Again, as in ante-bellum days, privilege is ascendant. The class which rules is small in numbers, but powerful in influence, as any one learns who dares to touch the least of its preserves.

How costly this merger of politics and privilege is to the people and the ideals of democracy will be shown in the next chapter.