

whether an individual suspected or actually guilty of a criminal offense, be arrested or convicted of it; but it is always of transcendent importance that he be not arrested or convicted except in accordance with those restrictions and safeguards which the people, taught by dire experience of arbitrary power, have by their constitutions and laws prescribed. We have in our fundamental instruments of government in this country, called constitutions and bills of rights, certain guarantees of individual liberties and rights, including freedom from unlawful arrests, invasions and searches, which we inherit from magna charta and the common law of England. . . . They are the warp and the woof of our system of laws and government, and without them free government cannot exist. But the police are not alone in need of reminders such as that, and Judge Gaynor takes occasion to admonish the people themselves of the dangers with which police lawlessness, even with good motives, is pregnant:

Crimes and vices are evils to the community; but it behooves a free people never to forget that they have more to fear from the growth of the one vice of arbitrary power in government than from all other vices and crimes combined.

Perhaps the last place on earth to look with confidence for a sensible explanation of the trust problem is in the editorial columns of the Chicago Tribune. Yet in those very columns, on the 1st of the month, the coming in of the new year was celebrated with just such an explanation. Referring to the fact that the steel trust "is in the market for iron mines and ore lands," and that it has recently bought up two competing steel companies, "not so much to get their plants as to get the mines they owned," the Tribune proceeds with its explanation:

The mere purchase of the steel mills of independent concerns will not give the steel corporation that monopoly of a great industry which the men at the head of it would like to acquire. There will always be capital available for the construction of iron furnaces and steel mills except in the contingency that a sufficient supply of ore cannot be obtained. If the steel corporation shall become the owner of the cream of the ore lands it will have a natural monopoly and will occupy an impregnable position. The supply of iron

ore is not so limited as is that of anthracite, but some ore beds are rich and are so near the surface that they can be cheaply worked. Other deposits are of inferior quality and are not so easily worked. The independent company which had to depend on the inferior mines would find effective competition impossible.

Nothing is more obviously true, and nothing so true could be better said. The key to the trust problem is not the monopolization of plants and other artificial capital. All that kind of thing can be easily reproduced, so long as labor is abundant. The true key is the monopolization of natural opportunities, which include not only ore mines and the like, but also, as the Tribune doubtless knows, transportation rights of way and terminal sites. Put an end to the monopolization of such privileges and the trust problem would be instantly solved.

A curious and possibly significant political tendency has become visible in Victoria, Australia, as a result of the state ownership and operation of the railroad system. It is nothing less than a proposal in the new Victorian parliament to disfranchise railroad servants as citizens and enfranchise them as a guild. The late parliament was dissolved over a labor question connected with railroad operation. The ministry having proposed to reduce the pay of railroad employes, the employes threatened to strike. This alarmed the parliament and it refused to sustain the ministry, which thereupon appealed to the country. General elections for the new parliament were consequently held last Fall. Upon the reorganization, the ministry, having in mind the cause of the dissolution, introduced a bill providing that civil servants be deprived of their votes in their districts, and in lieu thereof be allowed as a body to elect two members of parliament. Strangely enough the distinctly socialistic trend of this proposal does not attract the attention of those people on the watch towers who are peculiarly sensitive to anything "socialistic." All they see in it is a reduction of the

political influence of railroad employes. But if railroad employes are to become a guild with political representation as such, why not employes in other departments of industry? Is there not here an evident manifestation of a tendency toward the substitution in politics of industrial for territorial divisions?

If in any of our criticisms of government statistics we have seemed to insinuate that Mr. Austin, the head of the statistical bureau of the treasury department is guilty of misrepresentation in his boasting bulletins regarding the "favorable" balance of American trade, we humbly take it all back. After his display of enthusiasm last week over the "favorable" balance of India's trade, it is impossible to think of Mr. Austin as a man of fraudulent mind. Guilty knowledge seems to be wholly absent. Whatever other charge might lie at the door of a man who appeals to the trade of India to show that excessive exports make a favorable balance, it is certain that he cannot reasonably be charged with bad faith—not unless he thinks all mankind are fools.

According to Mr. Austin's innocent Indian bulletin, the exports of India have grown from \$79,000,000 in 1850 to \$392,000,000 for the fiscal year ending last March, when the excess of exports over imports was \$127,000,000. "This," writes Mr. Austin, full of enthusiasm for commercial progress in India, makes "India the sixth country to-day in the list of the world's exporting nations." It places her next to the head of the list, the United States still holding first place.

By one of those coincidences that are constantly occurring, Mr. Austin's enthusiasm over India's "favorable" balance was gathering volume about the time that a distinguished Parsee, Dadabhai Naoroji, made a speech in England, in the course of which he complained somewhat bitterly of that same "favorable" balance. And well he might. For the

balance is largely made up of shipments to England in the form of pensions and other British remittances for which no equivalent is received. India is a tributary country. Hence its "favorable" balance of trade. Does that account also for the "favorable" balance of the United States? If not, why not?

The offer which the steel trust makes its employes is somewhat complicated, but its essentials may be easily understood. The trust employs about 168,000 persons. These are divided, for the purposes of the offer, into six classes. Class A includes all who receive salaries of \$20,000 or over, while class F includes all who receive salaries of \$800 or less. In the intermediate classes are those whose salaries run from \$800 to \$20,000. During the current month each may subscribe for shares of preferred 7 per cent. stock in the trust, at \$82.50 per share, in amounts ranging from 5 per cent. of wages in class A up to 20 per cent. in class F, the subscription price to be deducted from his monthly wages in such sums as he may specify, not to exceed 25 per cent. of his wages in any one month. The whole amount must be paid within three years. Interest at 5 per cent. is to be charged on deferred payments, but meantime the purchaser receives the 7 per cent. dividends which the stock carries, thus getting a profit of 2 per cent. If the purchaser discontinues payments he may withdraw those he has made, surrendering the stock, but retaining the dividends less interest on his deferred payments. When fully paid for, the stock will be delivered to him. Any purchaser who retains his stock, remains continuously in the employ of the trust, and shows "a proper interest in its welfare and progress" (certified by a letter from "a proper official showing that he has worked to promote the best interests of the company in which he has become practically a partner), may receive annually for five years \$5 a share as a bonus; and at the end of the five years he will receive a fur-

ther bonus to be made up of the \$5 bonuses (and interest thereon) which other purchasing employes may have forfeited. In addition to this scheme of stock purchasing a system of profit sharing, based upon minimum annual earnings of \$80,000,000, is to be established. One-half of the employes' share of profits under this system is to be distributed quarterly in cash, while the remainder is to be invested in preferred stock of the trust to be held for the benefit of the employes who remain continually in the employment of the company for five years. It is evident from a careful reading of the official circular that three motives have controlled in the formation of this complex arrangement, all of which come within the idea of "benevolent feudalism." First, a sincere desire to do the workmen good and regulate their lives benevolently; second, an equally sincere desire to head off strikes; and third, a lively hope that when elections come around in which the special privileges of the trust are possibly at stake, the employes can be appealed to effectively in behalf of the concern as "fellow stockholders."

In an official letter from the sultan of Bacolod, one of the Mohammedan regions of the Philippines, a letter which the United States war department has just made public, Americans are described as "a lot of hogs that eat hogs." What makes this description peculiarly offensive is "ye fact yt ye condemned savage" has so closely approximated "ye gospel truth."

The whole history of our Philippine relations, from the time when we began to "edge" Aguinaldo's patriot army back and again back from its place of vantage, all the while pretending to be friendly, down to our lawless declaration of war against the Filipino republic in December, 1898, and through all the destruction we wrought, the anarchy we bred, the loot we took, and the cruelties we inflicted, until the present time, when our paternal government in the isl-

ands is asking for authority to extend from 5,000 to 25,000 acres the limitation upon common lands to be grabbed by American capitalists—from first to last our national conduct has been such as to make it almost an affront to the morals and manners of the lowly beast of Mohammedan detestation to refer to it as a symbol of Yankee character.

THE HOUSING PROBLEM AND THE TAXING POWER.*

I.

The philanthropy of municipal paternalism and the charity of rich individuals, may provide decent and comfortable housing for some of the working poor some of the time; but nothing can secure decent and comfortable housing for all of them all of the time, short of measures that would neutralize legislative and institutional hindrances to their providing such housing for themselves. This necessitates radical changes in taxing methods. It is a mistake to ignore the social potentialities of taxation. The power to tax is truly a power to destroy, and as truly a power to save from destruction.

When taxation hinders industry and diverts the full and regular flow of wealth from the producers of wealth, the working poor are prejudicially affected, and housing problems result. Taxation of that kind is destructive of normal social life. Conversely, a tax that would encourage industry and promote the free and regular flow of wealth to its producers (if any such tax there be), would operate favorably to the working poor, and abate housing problems by conserving and fostering normal social life. Methods of taxation, therefore, are a primary consideration with reference to the problem of housing the working poor.

II.

In that view of the matter it is imperative to ascertain at the outset whether existing methods of taxation do obstruct industry, discourage

*By Louis F. Post, editor of *The Public*, in the Fall number, 1902, of *Municipal Affairs* (New York). Reproduced here by special permission of the publishers of *Municipal Affairs*.