

appointing Harlan to office at this particular juncture? None at all. Every legitimate consideration was against it. Though nobody questions his abilities, there must be one or two young republicans equally able whom Mr. McKinley might have chosen. Why did he prefer Harlan? Since it has taken Mr. McKinley nearly four years to discover Harlan's peculiar fitness for official life, though the young man's qualifications were early called to his attention, the appointment just at the moment when Justice Harlan's judicial leanings toward a presidential policy happened to be of supreme importance to Mr. McKinley, is most disagreeably suggestive. If it does not imply a purpose of influencing the court, it does imply indifference to public confidence in the court, and for practical purposes both are bad unless promptly rebuked. Since young Harlan has not seen fit to defend his father's good name by refusing McKinley's indelicate appointment, it is to be hoped that Judge Harlan himself will not omit to administer a fitting rebuke at the first opportunity.

We take pleasure in promoting the circulation of Gen. MacArthur's official assurances that "houses of prostitution are not licensed, protected or encouraged" by the American military authorities in the Philippines. The public may now draw its own conclusions, from Gen. MacArthur's official assurances on one hand and the photographs of manifestly protected resorts of this character on the other. Incidentally it will be noted that official assurances from Manila in the past have not proved to be altogether trustworthy.

So enormous are the combinations of monopolies now forming that the mind cannot take in their magnitude. To speak of them in general terms is like speaking of astronomical distances in the ordinary terms of measurement. They cannot be appreciated without resort to striking sim-

iles or comparisons. Something of this kind is fortunately furnished, by a partner of J. Pierpont Morgan. He furnishes it quite blandly, as if unconscious of its tragic significance. We refer to Robert Bacon, of the firm of J. P. Morgan & Co., and a director of the Federal Steel company. His words will be found in the New York World of January 15, 1901. Mr. Bacon had been asked by the World reporter:

Would the purchase of the Carnegie Steel company mean that the railroads, the coal companies and the steel companies would all be controlled by one community of interest?

He replied:

**By one man. When this combination is completed, J. P. Morgan will be the absolute head of it all.**

The combination in question, though not yet complete, is in process of successful negotiation.

That extraordinary statement of a leading member of the firm of J. P. Morgan & Co. throws a brilliant light into the depths of the industrial precipice toward the brink of which this monopoly-ridden nation is rushing. Further light—not direct, however, but reflected—is thrown upon the omnipotence of Morgan's house by an observant Wall street reader who writes:

My association (or should I say attrition) with a Wall street banking firm during the past two years has given me much information as to the fearful power already exerted by the house of J. P. Morgan & Co., which, with at the most three others, can damn any financial project brought to New York. In the matter of the National Tube company organization alone, I am positively informed that they received as promoters, not underwriters, \$10,000,000 of the stock, \$5,000,000 preferred and \$5,000,000 common; and that company earned 24½ per cent. on its common stock, after paying its seven per cent. on the preferred and writing off, etc. The tremendous ramifications of the three groups (which are practically one), as represented by Morgan, Standard Oil and the Metropolitan Traction company (which as you know is also the United Gas Improvement company of Philadelphia and also the Chicago Traction interests) are such that no business man, however rich and powerful, can stand against them, even if disposed to do so. I really believe that John Wanamaker, for in-

stance, would not last two years if he should offend them and they should deem it necessary to remove him from their path.

### THE WAGES SYSTEM.

#### I.

Students of the mystification theories of political economy, now funning their course through American universities, like the whooping cough or the measles through a district school, must notice that the most prominent characteristics of these mighty triflings with the human reason are infinite detail and slovenly classification. They are often so absurd in those respects as far and away to outdo old Polonius in his analysis of the drama into—tragedy, comedy, history, pastoral, pastoral-comical, historical-pastoral, tragical-historical, tragical-comical-historical-pastoral, scene indivisible, or poem unlimited.

This lack-method method of university "economics" gives "scientific" sanction to an industrial theory which originates in vulgar observation of superficial appearances, and is commonly distinguished as "the wages system."

Plutocrats stubbornly cling to "the wages system" as something good, while socialists wish to abolish it as an unmitigated evil. Both see it, however, in the same way. They see it as Talmage and Ingersoll saw religion, upside down; and like Talmage and Ingersoll with inverted religion, one likes it and the other doesn't. According to this economic concept labor is a commodity. It is bought and sold in the markets; and its price, like the prices of other commodities, rises and falls with the fluctuations of demand and supply—the demand that affects labor price being demand of employers for wage workers, and the supply being the supply of men wishing to be hired.

To the socialist "the wages system" is a system of slavery, the wage worker being forced by it to sell himself from period to period, for life, in a market glutted with wage workers. To the captain of industry it is a convenient system—he would not call it slavery, for he doesn't like the word—of making "capital and labor friends, not en-

emies," by bringing them into "voluntary" cooperation, like that of the lamb and the lion when the lamb is within. To both it is a normal development of competitive industry, and in this view the "economic" cult of the universities "scientifically" concurs.

That the industrial relations of employers and employed are now regulated by an oppressive wage system is undeniable. That this system is a system of slavery is equally so. The labor market of the present time is a veritable slave mart. Labor, in the existing industrial regime, is nothing but a commodity. The man himself is sold. Nor is this shocking condition modified by the fact that he is sold by himself. It is all the more shocking that men should be forced by circumstances to beg some one to buy them. Under this "wages system," let it be noted also, the buyer contracts none of the personal obligations of the slave master. He pays the wage-slave the cost of his poor "keep," and there his responsibility ends.

But it is one thing to recognize the "wages system" as an industrial phenomenon of the existing order of things—the existing disorder is a better phrase—and quite another to conclude with the university cult in "economics," and socialists who accept their dicta, that it is a system in the sense of being the normal regulation of the industrial relations of employer and employed in a competitive social order. Normally the "wages system" as it exists is utterly foreign to the principle of competition. It is not a product of normal competition; it is a social disease developed from strangulated competition.

All this is readily perceived upon common sense investigation. It is obscure only to minds that are over-stored with detail and over-tutored in the "scientific" methods of economic classification. Clearness of analysis, not profundity of learning nor wealth of statistical information, is the requisite for an examination into the subject. By that method of examination it may be plainly seen that the wages system, as we

experience it now, is a painfully distorted image—distorted by interference with competition—of what would under free competition be one of the beneficial phenomena of trade.

For the understanding of the nature of "the wages system," industrial history does not furnish the best material. Of the usefulness of industrial history as a side light there need be no question. But it is from a consideration of the laws of human nature as we perceive them in operation in ourselves and in our neighbors, that the truest explanation of the wages system is to be had. We do know in a general way how men in general will act under given circumstances of a general kind. We do not know in a particular way what particular men will do under given circumstances of a particular kind. History assumes to tell us, but history is far from infallible. The crudest generalizations as to the probabilities of human conduct in given circumstances are much more likely to be true than the most expert generalizations from historical or statistical data, which may themselves be false or incomplete.

We know, for example, or we can know if we reason about the familiar characteristics of human nature, what men in general would do as to accepting or rejecting wages, provided they were living in the fullest freedom that the laws of external nature permit. Let us, then, assume for the starting point of an inquiry into the wages system that men are living in such freedom. In other words, let us imagine—not as romancers imagine plots and incidents, but as mathematicians imagine axioms—what the wages system would be in healthy industrial conditions. In that way alone can we safely determine whether the wages system is essentially a parasitical device, or a beneficent manifestation of industrial life perverted by industrial disease.

## II.

In the fullest conceivable freedom men must work. Natural laws do not permit them to live without eating, and unless they work they cannot eat. This is manifestly true of men in the sense of mankind, or

as a whole. Individual men may eat without working; but if they do, it is only because other men work for them without compensation. And other men will not ordinarily do that, unless coerced. In the absence of coercive power, then, every man must ordinarily work in order to live.

It is instinctive with men, however, to do the least work for the greatest result. They naturally seek the best living in the easiest way. That is the secret of labor-saving invention. But for this human instinct none of the devices for the lessening of human effort and the enhanced production of human satisfactions would be utilized. One of the devices for this purpose, in fact the all inclusive device, since every other springs from it, is trade.

No individual could with his own direct labor supply his own wants. He could neither feed himself, nor clothe himself, nor house himself in a civilized way if he were obliged to make all his own food and clothing and shelter. But by acquiring skill in making one kind of commodity he may by means of trade swap the particular commodities that he makes, for those that he wants. When he does this in freedom—neither party to the trading contract having any other advantage than his superior productive knowledge, skill and exertion may give him—the things that each receives in the trade are as truly his earnings as if he had made them himself.

Here, then, is a system which springs up naturally, not as a historical evolution, but as a spontaneous expression of human powers of production acting under the impulse of human desires to get the most with the least effort. Industrial history records the process of development with more or less accuracy, but the nature of the phenomenon may be better understood by logical analysis than from historical data. This system is natural industrial cooperation generated and maintained by trade. Every trade is a private free contract between two individuals, and the myriads of such trades, interdependent like the links of chain

armor, produce a perfection of cooperation to which no premeditated cooperative scheme can approximate.

If we suppose that trade would naturally first be manifest in the exchange of labor products—the order of development is neither known historically nor really important philosophically—we can understand that fluctuations in demand for particular products would require every producer to be a business man in the sense of keeping himself well informed regarding the multifarious variations of demand and supply. But this would divert his energy from direct production. He could not acquire business skill except at the expense of skill in his primary calling; and that being uneconomical, the instinct we have already described, that instinct which impels men to satisfy their desires with the least exertion, would lead some producers to cultivate business skill at the expense of skill of other kinds, and to contribute to the sum of cooperative energies by relieving producers of the necessity of watching for trading opportunities. Men in this new occupation would buy and sell as middle men. They would be in a sense speculators in labor products, buying when demand was low and selling when it had risen. The service they would render would be to save the expenditure by original producers of their energies in the processes of trading. And this would be a genuine service; else original producers, being free from coercion, would have nothing to do with the middleman. They would themselves superintend the processes of trading, if, all things considered, they could do so advantageously. And if middlemen made excessive profits, other producers, being free from coercion, would compete until the incomes of middlemen had been reduced to the level of incomes for original production requiring equal skill and effort.

So much is obvious. To understand human nature in its more general manifestations is to perceive that in the circumstances supposed men would act in the manner indicated. If an industrial history

were to describe any considerable community of free men as having in such circumstances habitually acted essentially otherwise, we should all say, unhesitatingly: So much the worse for that industrial history. Every sane man, even of the university "economic" cult, would promptly reject such a history as manifestly a romance, and rest his conclusions upon his conviction that human nature, like mathematical axioms, is the same everywhere and at all times.

### III.

We are now prepared to see how a legitimate wages system, the genuine and useful system of which the one we are familiar with is the distorted image, may develop.

As production, facilitated by trade, divides and subdivides and consequently becomes more complex, men find it profitable to devote their labor to the making of only parts of commodities. To borrow an illustration from modern industry, one man does nothing but make shoe soles. If all were free, this would not be done unless those who did it found it advantageous to themselves. Coercion, it must be understood, is excluded from consideration at present.

Or, without borrowing illustrations from modern industry, we may refer to such industries as house building or ship building. No individual would be able alone to build a house or a ship. He must cooperate with others. With some, those who work with him upon the house or the ship itself, he cooperates directly and consciously; but with by far the larger number he cooperates indirectly and unconsciously through trade. Suppose that a dozen house builders wish to build each of them a house. Since they cannot themselves do all the work that is involved in house building, they must trade the products of their labor, through the intricate network of commerce, with all the thousands of unknown laborers in a multiplicity of occupations who cooperate with them. If the house builders have no accumulated products, or credit acquired in the form of

money or otherwise for products they have previously produced, then, either to middlemen, or directly to the producers of material, they must "mortgage," to use a common colloquialism, a share in the houses they are about to build; and, having built these houses, they will own the houses in proportion to their several contributions of labor, subject to the shares of the material men. This would be natural cooperation in house building. But it would be exceedingly complex cooperation were it not for the middlemen who accumulate, by buying from the thousands of miscellaneous producers, the material and tools which the immediate builders must have.

Even with these middlemen as labor savers, for such they are, the dozen builders might not find their partnership method the most satisfactory. One might want a house, and therefore be willing to join the other 11 in building 12 houses, each to take one of the 12 houses for his work. But if the others did not want houses, except to trade them for something else, they would hesitate about going into the enterprise unless they were assured of trading opportunities. At this point the employer, as we call him in the distorted wages system of our time, would step in to correlate all the housebuilding forces and thereby promote the erection of those 12 houses.

He would buy the houses in advance of their erection. That is, he would say to the dozen house builders: "Gentlemen, I will marshal the material for the projected houses, and will pay you so much apiece for them as compensation for your work after it is done; or I will pay you so much a week, from day to day, as you proceed with the work. If I pay you at the end of the job I shall pay you more than if I pay you from week to week as the work goes on. Let us agree together." The builders, being free to accept or reject these terms, and under no fear of poverty if they decline, will decide, considering similar offers from other middlemen, whether to accept the offer; and, if they do accept, whether or not to take the higher pay for the houses when fin-

ished or the lower pay in weekly wages. They will do in the matter what seems most profitable to themselves.

Suppose they take the weekly wages, preferring its benefits and certainties to the greater benefits but lesser certainty and longer delay of payment at the end of the job. Then we have the wages system. But what is it other than a mode of cooperation?

These builders do not sell themselves. They discount the value of their future work for the sake of an immediate trade of what they do for what they want. At the end the houses will have been produced by cooperation, by a fair partnership arrangement, as truly as if it had been a partnership in form. The only difference is that one of the partners buys up the interest of the others in advance, in a free contract which is as beneficial to them as to him. Though he gets something which by themselves trading the houses they might get, yet he does work in effecting the trades which they would have to do in house building to attend to. In other words, he earns what he gets, and they lose nothing that they earn.

Reduced to the last analysis, this wages system is a system under which employer and employes are free cooperators, all sharing in the final result, namely, those things for which the product is traded, the employer's share being compensation for his work in effecting the trades that marshal the materials, for his work in superintending the production, and for his work in trading the product, while the shares of the employes are compensation for their work in putting the materials together without being troubled either to marshal the materials or to trade the final product.

And these shares must be mutually satisfactory, for in free conditions neither party to the hiring contract need allow the other to oppress him. Competition bearing not in only one direction, but, like the weight of the air, bearing with equal force in all directions, maintains an equilibrium of compensation for every worker at the point

of earnings. The wages system, then, in free conditions, is a mode of cooperation which adjusts itself to the satisfaction of all the cooperators by their mutual consent.

#### IV.

Under that natural wages system hired laborers are not commodities. They remain partners or cooperators in production, discounting their demands upon satisfactory terms, in return for exemption from certain kinds of necessary labor. But the fairness and usefulness of this system depends upon the freedom of its environment.

In coercive conditions this natural and most useful mode of dividing labor and distributing its proceeds is degraded into the wages system which socialists justly denounce as a species of slavery. When social institutions foster the monopoly of natural opportunities for labor so that workmen sell their labor in a glutted market because they cannot utilize it otherwise, then the relation of employer and employe ceases to be a relationship of free cooperators and becomes in greater or less degree a relationship of master and slave. It is evident, however, that the seat of the injustice is not the wages system. It is the effect upon the wages system of unfree conditions.

By promoting the monopoly of natural opportunities for production and trade—the soil and the mine, factory and store sites, rights of way for transportation, and the various other facilities which nature provides for labor, and which are more or less included in those enumerated—and by taxing labor in every direction in which it turns for purposes of production, we have generated in place of free competition a jug-handled competition, a competition that is all one sided. Employers and employes do not contract upon even ground. The employer offers his own terms, and the employe must either accept or starve. Natural opportunities being closed by private monopoly, and production being checked by taxation upon enterprise and thrift, the supply of labor tends constantly to outrun the effective demand for labor, and so to maintain a glutted

“labor market.” Competition in these circumstances is like air pressure in only one direction. Laborers are subject to the pressure of competition on their side, but are not protected in equal degree by the pressure of competition on the other. The equilibrium is thereby disturbed and the wages system becomes distorted in consequence into the shape that incenses the socialist and pleases the captain of industry.

It is not the wages system that a discriminating examination into the subject discovers for labor to quarrel with. In itself that system is as natural as breathing. It is one of the useful adjustments of cooperative production, when carried on in freedom. To make war upon it is to distract attention and to divert reformatory energy from the real evil that turns this useful adjustment into an engine of oppression. We cannot destroy the wages system without making men over again, or putting them into governmental strait jacket. We can, if we will, destroy the monopolies which so disturb the competitive equilibrium as to reduce laborers to the condition of dependent and desperate hunters for work, and make freedom of contract between employer and employe a dismal mockery. With the monopolies destroyed, freedom of contract would be restored and the wages system would no longer be oppressive.

## NEWS

Victoria, queen of England, died on the 23d, at 6:30 in the afternoon, London time. The first authentic news of her fatal illness was published on the 18th by her secretary, Sir Arthur John Bigge, K. C. B. He explained that her health had suffered considerably from the strain of last year's events, and that the past few weeks especially had told upon her nervous system, in consequence of which her physician had ordered that she be kept perfectly quiet and abstain altogether from transacting business. At midnight on the 19th her illness became alarming. She was at that time stricken with paralysis, and the