

COPYRIGHT 1913 BY
THE UNIVERSITY OF CHICAGO

All Rights Reserved

Published September 1913^{*}
Second Impression October 1913
Third Impression November 1913
Fourth Impression September 1914
Fifth Impression October 1914
Second Edition October 1915
Second Impression September 1916
Third Impression May 1917
Fourth Impression September 1919
Fifth Impression November 1919
Sixth Impression July 1920
Seventh Impression October 1920
Eighth Impression September 1921
Ninth Impression March 1922

Composed and Printed By
The University of Chicago Press
Chicago, Illinois, U.S.A.

**MATERIALS FOR THE STUDY OF
ELEMENTARY ECONOMICS**

PREFACE

The materials collected in this volume are intended to acquaint the student with economic principles as they are manifested in the tangible facts of economic life. A few extracts of primarily theoretical character have been included to represent important aspects of contemporary or historic thought; but for the most part the selections are not so much authoritative formulations of economic laws as concrete case-material embodying such laws, or affording a background of information which the systematic treatises on economics can hardly give and which the teacher certainly cannot often assume that his students will possess. Various sources have been drawn upon, including not only the writings of recognized economists but also official literature of governmental and private organizations, commercial and financial periodicals, and the daily press. Some of the material has been prepared especially for this book. As regards form, the selections comprise expository and descriptive readings, statutes, judicial decisions, the findings of commissions, news reports, statistical tables, schematic analyses, and a number of maps, charts, and diagrams.

In the choice of the materials the editors have been guided by actual classroom experiment. The nucleus of the book was originally printed as a series of bulletins which have for three years formed a part of the reading required of beginning students in economics at the University of Chicago. During this time unsatisfactory selections have been eliminated and much new matter has been added. Copies of the bulletins have been submitted for criticism to teachers in several other institutions. The volume which now appears may thus be said already in a measure to have demonstrated its usefulness as an aid in college instruction.

The book is not designed to take the place of a systematic textbook. Rather, it should be used in conjunction with such a text. No attempt has been made to weld the readings into a hard-and-fast system. They have purposely been left to be utilized as the preference of the individual teacher may dictate. There has been no desire to dogmatize, or to force upon the student any particular interpretation of the evidence. In some cases conflicting views are set forth in different selections in order to stimulate critical thinking; and several

extracts have been included precisely because they seem to involve unsound thinking, or a point of view so remote from the academic as to deserve consideration for that very reason.

The editors wish to acknowledge their obligation to the many authors and publishers who have kindly permitted the use of extracts from copyrighted publications. Every effort has been made to give due mention of author and publisher in each instance. Where a selection is stated to be "adapted from" the writings of a certain author the reader will understand, not that the changes from the original have necessarily been considerable, but simply that some change has been made for which the author is not accountable. Where no source is indicated for a selection, either by footnote or by the obvious nature of the topic, it may be understood that the editors assume responsibility.

L. C. M.

C. W. W.

J. A. F.

September, 1913

TABLE OF CONTENTS

	PAGE
I. INTRODUCTORY	
1. The Maladjustment of Man and Nature. <i>T. N. Carver</i>	I
2. Man's Adaptation of His Environment. <i>Max Nordau</i>	8
3. Ways of Getting a Living. <i>T. N. Carver</i>	10
4. Competition and the Industrial Revolution. <i>Arnold Toynbee</i>	11
5. Exchange Co-operation. <i>Adam Smith</i>	17
II. WANTS AND THE MEANS OF THEIR SATISFACTION	
6. A Study of Human Wants	20
7. The Apportionment of Expenditures. <i>F. H. Streightoff</i>	27
8. The Standard of Living. <i>F. H. Streightoff</i>	33
9. A Normal Standard of Living. <i>Massachusetts Commission on the Cost of Living</i>	37
10. A Classification of the Means of Satisfying Wants. <i>T. N. Carver</i>	41
11. Typical Cases Illustrating the Existence of Wealth behind Property Rights. <i>Irving Fisher</i>	42
12. Forms of Wealth. <i>Irving Fisher</i>	44
13. Forms of Property Rights. <i>Irving Fisher</i>	44
14. Estimate of the Wealth of the United States. <i>Special Census Report</i>	45
15. The Production of Economic Goods. <i>J. A. Hobson</i>	45
16. A Classification of Industries. <i>J. A. Hobson</i>	55
III. NATURAL RESOURCES AS ECONOMIC FACTORS	
17. The Function of Natural Agents. <i>O. T. Mason</i>	58
18. The Influence of Geographic Factors. <i>E. C. Semple</i>	61
19. The Frontier in American History. <i>F. J. Turner</i>	66
20. An Illustration of the Law of Diminishing Returns	73
21. Factors Counteracting Diminishing Returns. <i>J. S. Mill</i>	74
22. Natural Resources of the United States and Their Conservation. <i>National Conservation Commission</i>	77
23. The Economic Possibilities of Conservation. <i>L. C. Gray</i>	102

	PAGE
IV. HUMAN BEINGS AS ECONOMIC FACTORS	
24. Some Definitions of Labor	105
25. The Relation of Labor to Natural Agents in Production. <i>J. S. Mill</i>	106
26. The Increase of Population in the United States. <i>Henry Gannett</i>	108
27. The Malthusian Theory of Population	109
28. Economic Influences on the Marriage-Rate. <i>G. U. Yule</i>	111
29. The Quality of Population	
a) Non-Survival of the Fittest. <i>W. R. Greg</i>	112
b) Eugenics	118
30. The Cost to Society of a Family of Degenerates. <i>R. L. Dugdale</i>	121
31. The Conservation of Human Energy. <i>Irving Fisher</i>	123
32. Causes of the Growth of Cities. <i>A. F. Weber</i>	134
33. Immigration to the United States, 1820-1912 (Chart). <i>Commissioner-General of Immigration</i>	137
34. Sources of Immigration and Character of Immigrants <i>Immigration Commission</i>	138
35. Causes of Emigration. <i>Immigration Commission</i>	140
36. The Problems of Immigration. <i>J. W. Jenks and W. J. Lauck</i>	144
37. Immigration and the Birth-Rate. <i>F. A. Walker</i>	146
38. Fecundity of Native and Immigrant Women in Rhode Island, 1900. <i>Immigration Commission</i>	149
39. Immigration and the Use of Machinery. <i>J. R. Commons</i>	150
40. The Recommendations of the Immigration Commission <i>Immigration Commission</i>	152
V. CAPITAL GOODS AS ECONOMIC FACTORS	
41. The Roundabout Process. <i>E. von Böhm-Bawerk</i>	157
42. Machinery Used in the Making of Pins. <i>Commissioner of Labor</i>	158
43. Hand vs. Machine Methods. <i>Commissioner of Labor</i>	160
44. Machinery vs. Hand Labor in the Raising of Small Grains. <i>Commissioner of Labor</i>	161
45. Machine Methods in Agriculture. <i>H. V. Quaintance</i>	164
46. Relative Increase of Capital and Employees in Manufacturing	170
47. Some Sources of the Supply of Capital. <i>Wall Street Journal</i>	170

TABLE OF CONTENTS

ix

	PAGE
48. Capital—Demand and Supply. <i>Journal of Commerce</i>	172
49. What Is Meant by Depreciation. <i>F. A. Delano</i>	175
50. Inroads of War on the Savable Fund. <i>Special Commissioner of the Revenue</i>	179
VI. THE ORGANIZATION OF INDUSTRY	
A. <i>Specialization:</i>	
51. Limitations of the Division of Labor. <i>J. S. Mill</i>	181
52. The Tin-Peddler and the Development of Connecticut Industries. <i>R. M. Keir</i>	182
53. Classification of Occupations. <i>Census</i>	183
54. Stages in the Production of Iron and Steel Products. <i>Commissioner of Corporations</i>	189
55. The Localization of Manufacturing Industries. <i>Census</i>	189
56. The Division of Labor in Pin-Making. <i>Adam Smith</i>	198
57. Division of Labor in Meat Packing. <i>J. R. Commons</i>	199
58. Division of Labor in the Shoe-Making Industry. <i>Census</i>	200
B. <i>Management:</i>	
59. The Problem of the Business Man	204
60. Problems of Farm Management. <i>T. N. Carver</i>	206
61. The Principles of Business Organization. <i>The System Company</i>	207
62. Scientific Management. <i>F. W. Taylor</i>	219
63. Criticisms of Scientific Management. <i>H. S. Person</i>	228
64. Partnership Articles	233
65. Form of Corporation Charter	234
66. A Charter "Object Clause" (United States Steel Corporation)	236
67. Corporation Charters Granted Before 1800. <i>S. E. Baldwin</i>	238
68. The Holding Company. <i>Interstate Commerce Commission</i>	239
69. A Classification of Bonds. <i>F. A. Cleveland</i>	241
70. Examples of Typical Investment Securities	244
71. The Basis of Capitalization. <i>Industrial Commission</i>	252
72. Methods of Stock Watering. <i>Industrial Commission</i>	257
VII. EXAMPLES OF MODERN CAPITALISTIC ORGANIZATION	
A. <i>Railroads:</i>	
73. Transportation Costs in the Pioneer Middle West. <i>Isaac Lippincott</i>	259

TABLE OF CONTENTS

	PAGE
74. Widening of the Market through Improved Transportation	260
75. The Relation of the Transportation Charge to Prices. <i>L. G. McPherson</i>	261
76. Costs in Railroad Operation. <i>J. F. Strombeck</i>	266
77. Added Traffic Pays. <i>A. M. Wellington</i>	269
78. A Result of Railroad Competition. <i>A. J. Cassatt</i>	269
79. Some Forms of Railroad Discrimination. <i>Commissioner of Corporations</i>	270
80. Extracts from the Interstate Commerce Act. <i>U. S. statutes</i>	274
81. Railway Rate Theories of the Interstate Commerce Commission. <i>M. B. Hammond</i>	286
82. Valuation of Public Utilities. <i>Judicial decisions</i>	289
83. Suggestions for Effective Public Utility Regulation. <i>E. H. Downey</i>	291
B. <i>Industrial Combinations:</i>	
84. Forms of Combination. <i>Industrial Commission</i>	299
85. The Steel Rail Pool of 1887. <i>Commissioner of Corporations</i>	304
86. The Continental Wall Paper Company. <i>Judicial decision</i>	307
87. The American Tobacco Company. <i>Commissioner of Corporations</i>	308
88. The United States Steel Corporation. <i>Commissioner of Corporations</i>	313
89. The Steel Corporation Underwriting Agreement. <i>Commissioner of Corporations</i>	318
90. Companies Acquired by the United States Steel Corporation. <i>Commissioner of Corporations</i>	323
91. An Example of Trust Efficiency. <i>Commissioner of Corporations</i>	327
92. Proposed Remedies for the Evils of Trusts. <i>Industrial Commission</i>	329
93. Federal Anti-Trust Legislation	334
VIII. MARKETS AND TRADING	
94. Methods of Marketing. <i>A. W. Shaw</i>	340
95. Marketing Farm Products. <i>Department of Agriculture</i>	352
96. Retail Distribution of Farm Machinery. <i>Commissioner of Corporations</i>	356
97. The Distributing System of the International Harvester Company. <i>Commissioner of Corporations</i>	359

TABLE OF CONTENTS

xi

	PAGE
98. Co-operative Fruit Marketing. <i>Department of Agriculture</i>	361
99. Organized Exchanges: Grading of Commodities. <i>Commissioner of Corporations and others</i>	364
100. Organized Exchanges: Futures, Puts and Calls. <i>Commissioner of Corporations</i>	368

IX. VALUE

101. Demand and General Overproduction. <i>J. S. Mill</i>	371
102. Advertising and Demand. <i>A. W. Shaw</i>	373
103. The Ability of the Consumer to Defend Himself. <i>P. T. Cherington</i>	374
104. Some Cases of Demand and Supply. <i>Daily Newspapers</i>	376
105. Demand and Supply in the Market for Agricultural Products. <i>H. C. Taylor</i>	380
106. Organized Speculation and Its Regulation. <i>H. H. Brace</i>	391
107. A Cost Diagram	396
108. Items Entering into Cost. <i>W. C. Redfield</i>	397
109. Analysis of the Retail Price of Eggs. <i>C. W. Thompson</i>	407
110. Middlemen's Charges in Marketing Agricultural Products. <i>T. N. Carver</i>	408
111. Costs in the Retailing of Shoes. <i>Harvard Bureau of Business Research</i>	410
112. Prices to the Small Purchaser. <i>F. H. Streightoff</i>	414
113. Package Goods. <i>Massachusetts Commission on the Cost of Living</i>	415
114. Different Costs of Production in Paper Mills. <i>Tariff Board</i>	417
115. Joint-Product Prices: Beef. <i>Commissioner of Corporations</i>	418
116. Direct and Indirect Costs. <i>J. F. Strombeck</i>	419
117. Diminishing Cost of Production. <i>Wall Street Journal</i>	421
118. Joint and Composite Demand and Supply (Diagram)	422
119. The Complexity of Competitive Price Making. <i>J. M. Clark</i>	422
120. Selling Below Cost: Tobacco. <i>Commissioner of Corporations</i>	426
121. Price Policies of the Distributer. <i>A. W. Shaw</i>	426
122. Monopoly Price: Coffee Valorization. <i>Robert Sloss</i>	429
123. Discriminating Prices: Oil. <i>Commissioner of Corporations</i>	436
124. The Burden of Advertising Costs. <i>P. T. Cherington</i>	438

	PAGE
X. MONEY AND PRICES	
125. Exchange by Barter. <i>W. S. Jevons</i>	443
126. The Early History of Money. <i>W. S. Jevons</i>	445
127. A Monetary Chronology. <i>U.S. Treasury circular</i>	451
128. History of Coins and Currency of the United States. <i>U.S. Treasury circular</i>	452
129. Redemption of United States Money. <i>U.S. Treasury circular</i>	455
130. Legal-Tender Qualities of United States Money. <i>U.S. Treasury circular</i>	456
131. Statement of United States Money in Circulation. <i>U.S. Treasury bulletin</i>	457
132. Principles of Token Money. <i>Indianapolis Monetary Commission</i>	458
133. Production of Gold and Silver since 1492. <i>U.S. Treasury circular</i>	461
134. Commercial Ratio of Silver to Gold Annually since 1687. <i>U.S. Treasury circular</i>	462
135. Gresham's Law: French Coinage 1817-69 (Diagram)	463
136. Increase in the World's Production of Gold, 1800-1906. <i>National Conservation Commission</i>	464
137. The Increased Cost of Living. <i>Massachusetts Commission on the Cost of Living</i>	466
138. The Correction of Price-Changes. <i>David Kinley</i>	474
139. A Compensated Dollar. <i>Irving Fisher</i>	474
140. The Compensated Dollar: A Criticism. <i>F. W. Taussig</i>	479
141. Methods of Regulating a Paper Currency. <i>W. S. Jevons</i>	483
142. Paper Money: the Continental Currency. <i>David Ramsay</i>	485
143. Table of the Depreciation of the Continental Currency. <i>Thomas Jefferson</i>	492
144. Greenback Prices During the Civil War (Diagram). <i>W. C. Mitchell</i>	493
145. Depreciated Paper Money in the Confederacy. <i>G. C. Eggleston</i>	493
146. Depreciated Money and Wage-Earners: The Strike at Iquique. <i>J. L. Laughlin</i>	496
XI. CREDIT AND BANKING	
147. Credit Instruments	499
148. The Use of Credit Instruments. <i>David Kinley</i>	500
149. The Clearing House. <i>J. G. Cannon</i>	503

TABLE OF CONTENTS

xiii

	PAGE
150. The Journey of a Check. <i>J. G. Cannon</i>	512
151. Weekly Statement by the Federal Reserve Board. <i>Commercial and Financial Chronicle</i>	514
152. Weekly Statement of New York Clearing-House Banks	516
153. Statements of Typical American Banks	518
154. Number of Private, State, and National Banks, 1877- 1909 (Diagram). <i>G. E. Barnett</i>	522
155. Statements of the Bank of England, The Bank of France, and the Reichsbank	523
156. The Elasticity of Currency. <i>Indianapolis Monetary Commission</i>	525
157. A Summary View of the Work of the Independent Treasury. <i>David Kinley</i>	531
158. Bankers' Views of Our Banking and Currency Needs. <i>American Bankers' Association</i>	535
159. The Federal Reserve Act of December 23, 1913	539
160. The Case against State Guaranty of Bank Deposits. <i>A. P. Andrew</i>	545
XII. INTERNATIONAL TRADE AND FOREIGN EXCHANGE	
161. The Foreign Trade of the United States, 1912-13. <i>Journal of Commerce</i>	547
162. The Trade Balance of the United States. <i>George Paish</i>	549
163. The Balance of Trade and Gold Shipments. <i>Wall Street Journal</i>	559
164. Commercial Credits in the Financing of Imports and Exports. <i>Franklin Escher</i>	559
165. A Documentary Commercial Long Bill	566
166. The Par of Exchange and Approximate Gold Points	566
167. Foreign Exchange Transactions. <i>Howard K. Brooks</i>	567
168. Foreign Exchange Quotations. <i>Howard K. Brooks</i>	568
169. The Foreign Exchange Market. <i>Franklin Escher</i>	570
170. Factors Affecting the Rates of Foreign Exchange. <i>Journal of Commerce</i>	574
XIII. TARIFF POLICY	
171. A Summary of the Tariff History of the United States	578
172. Principal Sources of Customs Revenue, 1912. <i>Statistical Abstract of the United States</i>	585
173. The Balance of Trade and Protection a) A Mercantilist Point of View. <i>Charles King</i>	585
b) An American Argument. <i>Association of Wool Manu- facturers</i>	590
174. A Home-Market Argument. <i>William Lawrence</i>	590

	PAGE
175. Improved Transportation and Protection	
a) An American Campaign Argument. <i>Republican Campaign Text-Book</i>	591
b) A Spanish Analogy. <i>Frédéric Bastiat</i>	592
176. Two proposals for Increasing the Demand for Labor. <i>Frédéric Bastiat</i>	593
177. The Law of Comparative Costs and the Working of the Tariff. <i>F. W. Taussig</i>	597
 XIV. RENT	
178. The Origin of Agricultural Rent. <i>F. M. Taylor</i>	609
179. Rent Diagrams	617
180. Some Factors Affecting Land Values. <i>R. M. Hurd</i>	620
181. Railroads and Land Values. <i>I. D. Andrews</i>	627
182. Land Valuation. <i>R. M. Hurd</i>	628
183. Car-Fares and Suburban Site-Values. <i>Grosvenor Atterbury</i>	634
184. The Value of a Chicago Quarter-Acre, 1830-94. <i>Illinois Bureau of Labor Statistics</i>	635
185. Examples of Real Estate Transactions. <i>Chicago Daily Tribune</i>	639
 XV. WAGES	
186. Labor as a Source of Income. <i>F. H. Streightoff</i>	640
187. Two Early Theories of Wages	
a) A Cost of Subsistence Theory of Wages. <i>David Ricardo</i>	643
b) The Wages Fund. <i>James Mill</i>	645
<i>J. S. Mill</i>	646
188. Wages and Hours of Labor. <i>Statistical Abstract of the United States</i>	647
189. Women's Work and Wages. <i>J. A. Hobson</i>	647
190. Time Wages and Piece Wages. <i>Industrial Commission</i>	659
191. Wage Systems and Labor Management. <i>C. B. Going</i>	661
 XVI. LABOR PROBLEMS	
192. Purposes of the American Federation of Labor. <i>Official statement</i>	668
193. Structure of the American Federation of Labor. (Diagram). <i>Official report</i>	670
194. Membership of the American Federation of Labor. <i>Official report</i>	671
195. Union Charters Issued by the American Federation of Labor. <i>Official report</i>	671

TABLE OF CONTENTS

XV

	PAGE
196. Extracts from the Constitution of the International Union United Mine Workers	672
197. Joint Interstate Agreement of Coal Operators and Miners. <i>Text of the Official Agreement</i>	683
198. A Piece-Work Wage-Scale Agreement. <i>Potters' Association</i>	691
199. The Attitude of the Typographical Union Toward Machinery. <i>Industrial Commission</i>	693
200. The Dayton Employers' Association. <i>A. C. Marshall</i>	694
201. The National Founders' Association. <i>Official pamphlet</i>	695
202. The United Typothetae of America. <i>Official pamphlet</i>	698
203. Industrial Unionism and the Industrial Workers of the World. <i>Vincent St. John</i>	700
204. Statistics of the Extent of Strikes. <i>U.S. Commissioner of Labor</i>	705
205. Causes of Strikes. <i>U.S. Commissioner of Labor</i>	706
206. Estimates of Losses Due to Strikes and Lockouts	
a) Twenty Years of Losses from Strikes and Lockouts. <i>U.S. Commissioner of Labor</i>	708
b) Losses from the Anthracite Coal Strike of 1902. <i>Anthracite Coal Strike Commission</i>	708
207. Unemployment and a Proposed Solution of the Problem. <i>Royal Commission on the Poor Laws</i>	709
208. Seasonal Unemployment (Chart).	715
209. Long Hours versus Efficiency. <i>Josephine Goldmark</i>	716
210. The Sweating System. <i>Industrial Commission</i>	721
211. The Economic Theory of a Legal Minimum Wage. <i>Sidney Webb</i>	723
212. The Minnesota Minimum Wage Law of 1913. <i>Minnesota statutes</i>	733
213. Machinery and the Quality of Labor. <i>J. A. Hobson</i>	737
214. Employers' Liability. <i>G. L. Campbell</i>	747
215. A Survey of Workingmen's Insurance in the United States. <i>C. R. Henderson</i>	756
216. Summary of Workingmen's Insurance Laws in Germany. <i>L. K. Frankel and M. M. Dawson</i>	761

XVII. INTEREST

217. Theories of Interest. <i>Irving Fisher</i>	762
<i>William Smart</i>	764
218. Interest Rates. <i>W. A. Scott</i>	773
219. Conditions in the Money Market. <i>Journal of Commerce</i>	783

	PAGE
220. Differences in Rates of Interest on Public Loans	
a) <i>Special Census Report</i>	785
b) <i>Statistical Abstract of the United States</i>	785
221. Table of Bond Values	786
222. The Relation of Interest Rates to Rising or Falling Prices. <i>H. G. Brown</i>	787
223. The Theory of Bond Values During a Rising-Price Era. <i>W. E. Clark</i>	788
XVIII. PROFITS	
224. Walker's Theory of Profits. <i>F. A. Walker</i>	790
225. The Risk Theory of Profits. <i>F. B. Hawley</i>	795
226. Classes of Risks to Capital. <i>A. H. Willett</i>	796
227. The Classes of Risk-Takers. <i>F. B. Hawley</i>	799
228. Hedging as an Insurance against Risk. <i>Commissioner of Corporations</i>	801
229. Fire Insurance and Credit. <i>S. S. Huebner</i>	807
230. Embarrassment of Industry through Lack of Insurance. <i>Journal of Commerce</i>	810
231. Some Functions and Effects of Insurance. <i>John Haynes</i>	811
232. Financial Statements of Two Corporations. <i>Annual reports</i>	814
233. Monopoly Profits: The Tobacco Trust. <i>Commissioner of Corporations</i>	818
234. An Example of Fortuitous Profits. <i>Special Commis- sioner of the Revenue</i>	818
235. The Profits of an Underwriting Syndicate. <i>Commis- sioner of Corporations</i>	819
236. A Classification of Business Failures by Causes. <i>Brad- street's</i>	822
237. Two Instances of Failure. <i>Financial journals</i>	823
XIX. PUBLIC FINANCE AND TAXATION	
238. The Growth of State and Local Expenditures. <i>W. F. Gephart</i>	824
239. Federal Expenditures (Chart)	828
240. The Cost of Government, National, State, and Local. <i>E. V. D. Robinson</i>	829
241. Total Debt of the United States, National, State, and Local (Diagram). <i>Special Census Report</i>	841
242. Public Debt of the United States, 1791-1911 (Chart) .	842
243. Public Debt of the United States, and of Cash in the Treasury, 1915. <i>U. S. Treasury Bulletin</i>	843

TABLE OF CONTENTS

xvii

	PAGE
244. Total and Per Capita Debt of Certain Countries. <i>Statistical Abstract of the United States</i>	846
245. Principal Sources of Ordinary Federal Revenues by Decades, 1800-1910 (Chart)	847
246. The Adequacy of the Customs Revenue System. <i>R. F. Hoxie</i>	847
247. Some General Difficulties in Our State Systems of Taxation. <i>E. R. A. Seligman</i>	853
248. A System of State and Local Taxes and Their Appor- tionment. <i>Minnesota Tax Commission</i>	855
249. The General Property Tax. <i>Special Committee, Inter- national Tax Association</i>	860
250. The Taxation of Intangible Personalty. <i>Minnesota Tax Commission</i>	862
<i>Commissioner of Corporations</i>	864
251. Taxation of Corporations. <i>Commissioner of Corpora- tions</i>	865
252. The Inheritance Tax. <i>C. J. Bullock</i>	870
253. Income Taxes	
a) The Federal Income Tax	874
b) The Income Tax in Wisconsin. <i>Minnesota Tax Commission</i>	876
254. Separation of State and Local Revenues. <i>Minnesota Tax Commission</i>	880
255. The Taxes on Land in Western Canada. <i>Minnesota Tax Commission</i>	883
256. The Single-Tax Argument. <i>C. B. Fillebrown</i>	889
257. The Land-Value Tax as a Social Reform. <i>Fels Fund</i>	894

XX. SOME PROGRAMS OF SOCIAL REFORM

258. Profit-Sharing in the N. O. Nelson Manufacturing Company. <i>N. O. Nelson</i>	898
259. Profit-Sharing and Labor-Copartnership. <i>T. C. Taylor</i>	899
260. A Promising Venture in Industrial Partnership. <i>R. F. Foerster</i>	901
261. The Rôchdale Plan of Co-operation. <i>James Ford</i> . .	904
262. Co-operative Creameries. <i>James Ford</i>	905
263. Co-operative Stores. <i>James Ford</i>	907
264. Causes of the Failure of Co-operative Stores in America. <i>I. B. Cross</i>	908
265. Wastes in the Competitive Distribution of Milk . .	911
266. Socialism. <i>O. D. Skelton</i>	911
267. The National Platform of the Socialist Party . . .	921

I. INTRODUCTORY

1. THE MALADJUSTMENT OF MAN AND NATURE¹

The question, Why do things have the power to satisfy wants? would lead us back through physiology and psychology quite to the borders of the unknowable. The question, Why are they scarce? would lead us also toward the unknowable, but by a somewhat different route. Into this philosophical hinterland of his science the economist has generally refrained from bursting lest he should be found poaching upon the preserves of the philosopher; but there are some things in this region which, when seen through the eyes of the economist, may come to have a new significance.

Of course the first and most obvious reason for the scarcity of goods is that nature has not provided them in sufficient abundance to satisfy all the people who want them. Of some things, it is true, she is bounteous in her supply; but of others she is niggardly. Things which are so bountifully supplied as to satisfy all who want them do not figure as wealth, or economic goods, because we do not need to economize in their use. But things which are scantily supplied must be meted out and made to go as far as possible. That is what it means to economize. Because we must practice economy with respect to them they are called economic goods or wealth. In fact the whole economic system of society, the whole system of production, of valuation, of exchange, of distribution, and of consumption, is concerned with this class of goods—toward increasing their supply and making the existing supply go as far as possible in the satisfaction of wants.

The fact that there are human wants for whose satisfaction nature does not provide in sufficient abundance—in other words, the fact of scarcity—signifies that man is, to that extent at least, out of harmony with nature. The desire for fuel, clothing, and shelter grows out of the fact that the climate is more severe than our bodies are fitted to endure, and this alone argues a very considerable lack of harmony. The lack is only emphasized by the fact that it is necessary for us to labor and endure fatigue in order to provide ourselves with these means of protecting our bodies against

¹ Adapted from T. N. Carver, "The Economic Basis of the Problem of Evil," in *The Harvard Theological Review*, I, 98 ff. (January, 1

the rigors of nature. That labor also which is expended in the production of food means nothing if not that there are more mouths to be fed, in certain regions at least, than nature has herself provided for. She must therefore be subjugated, and compelled to yield larger returns than she is willing to do of her own accord. And that expanding multitude of desires, appetites, and passions which drive us as with whips; which send us to the ends of the earth after gewgaws with which to bedeck our bodies, and after new means of tickling the five senses; which make us strive to outshine our neighbors, or at least not to be outshone by them—these even more than our normal wants show how widely we have fallen out of any natural harmony which may supposedly have existed in the past.

That there is a deeper harmony lying hidden somewhere beneath these glaring disharmonies is quite possible. Certainly no one can positively assert that it is not so. It may be true, as some profoundly believe, that these natural discomforts, with the necessity for work which accompanies them, furnish a discipline which is necessary for our highest good. Being thus driven by a *vis a tergo* toward our own highest good, we may be in harmony with our surroundings in ways which do not appear to our immediate sense of self-interest. But this whole question lies within the field of philosophical conjecture, and nothing positive can be affirmed on either side.

Whatever our belief upon that point may be, there is not the slightest doubt that men are sometimes cold and hungry and sick; and that these discomforts would be much more frequent than they now are, if men did not work to prevent them. But work causes fatigue. Obviously the individual cannot be expected to see in this situation any sign of a complete harmony between himself and his material environment. So far as the individual can see and understand, the lack of harmony between himself and nature is a very real one.

Viewed from this standpoint, the whole economic struggle becomes an effort to attain to a harmony which does not naturally exist. As is well known, the characteristic difference between the non-economizing animals, on the one hand, and man, the economizer, on the other, is that in the process of adaptation the animals are passively adapted to their environment, whereas man assumes the active rôle in attempting to adapt his environment to himself. If the climate is cold, animals must develop fur or blubber; but man builds fires, constructs shelters, and manufactures clothing. If there are enemies to fight against, the animals must develop claws or fangs, horns or