

Is the Right of Private Property Secure?

Eminent Economist Says Social Welfare Is the Fundamental Test of Economic Institutions.

Dr. B. M. Andrews, Jr., formerly attached to the Department of Economics, Harvard University, is the editor of the National Bank of Commerce, New York Commerce Monthly. In the October issue of this publication he contributes a valuable article on, "Is Private Property Secure?" A most important contribution on the subject of our industrial unrest and immensely reassuring as to rightness of our existing economic system, subject to gradual modification. We beg to commend it to the thoughtful consideration of our readers, and present it in full. While presented from the American point of view it has equal applicability to Canada. It follows:

We can no longer expect to defend the fundamentals of our present social order by obstinately "standing pat" on constitutional law. It is no satisfactory answer to the social radical to say that our institutions are grounded in court decisions. Men are no longer willing to settle social and economic issues on such grounds. The test now being urged is that of social expediency and social welfare. Private property, free enterprise, and competition are the three great fundamentals on which our present order rests. From various quarters these three great fundamentals are being assailed. Let us examine the source and nature of the attacks. There are many kinds of social radicalism, some of which are fantastic, some of which are exceedingly dangerous and menacing, and some of which are the reasoned proposals of intelligent men. Virtually all social radicals agree that the basic causes of poverty are to be found in the laws and customs which govern the distribution of wealth—that poverty exists because riches exist—that the many are poor because the few are opulent. The defender of the existing social order insists that the basic causes of poverty lie deeper, that the fundamental problem is inadequate production, that the resources of the world are limited in comparison with the population of the world. He holds that a wise social policy in the future, aimed at the abolition of poverty, would seek both to restrict the numbers of the population and to prevent further breeding of those elements of the population which are condemned by birth to inferiority. He also lays heavy emphasis on efficiency in production, and defends free enterprise, private property and competition, primarily on the ground that they contribute more to efficiency in production than any system proposed by the social radicals could do. He will seek, indeed, to remove inequalities in the distribution of wealth, but he will not go so far in this as to sacrifice efficiency in production.

The Socialist attacks all three of these fundamentals—competition, free enterprise and private property—except that the Socialist is generally willing that private property in consumable goods should continue to exist; but the Socialist is unwilling that the land or the instrumentalities of production, machinery, railroads, factories, raw materials, ships, and the like, should be privately owned. He is unwilling that private individuals should draw income from any source but their labor.

Karl Marx is the greatest name among the writers and leaders of the Socialists. He was a man of massive intellect, and had a passionate love for humanity. A German Jew, long in exile from his native country, living in England and in France, his vision looked beyond the limits of a single country, and he cared nothing for patriotism. He taught that international rivalries and wars are folly, that the real struggle is not between the laborers of England and the laborers of France, or the Laborers of Germany and the laborers of France, but rather between the laborers of all peoples and their masters, the capitalist class. He believed that society is being increasingly split up into two hostile camps, the laborers and the capitalists, or in his own language, the "proletarians" and the "bourgeois." The bourgeois or capitalists, moreover, were constantly growing fewer. Competition, which he regarded as a ruthless and intolerable thing, meant the disappearance of the small capitalist, and of the economic middle class.

Going with this, he thought that the condition of the masses of the people, the laborers, was becoming increasingly miserable. Receiving low wages, and producing large quantities of goods, they were unable to consume what they produced, and periodic gluts appeared in the market, leading to periodic crisis of overproduction. These crises, he predicted, would come closer and closer together, and be more and more severe. Meanwhile, the number of capitalists would grow progressively smaller, the middle class would disappear, and the bitterness of the masses toward the capitalists would grow ever more intense. The "class struggle," as he called it, would grow more and more savage.

We escape from periods of crisis, he explains, by a widening of the market through bringing in the remoter parts of the world, such as China and India. But this is increasingly difficult with each successive crisis, and at last there comes a great and final crisis in the midst of which the proletarians rise and take over control of industry. When Marx was writing in the '50s and '60s he recognized that the time was not ripe for this great social revolution. Before it could be accomplished, the process of concentration of industry would have to be carried very far. The monopolist he looked upon as a forerunner of socialism. The great capitalist who kills off and absorbs his competitors is a

necessary step in Marx's analysis, and monopoly he looked upon as a precursor of socialism.

There is a strange mixture of insight and error in Marx's forecast. Later Socialists have recognized that very many of his predictions are erroneous. The economic middle class has not disappeared and is not disappearing. Large scale industry has developed, but so have industrial units of a moderate size. Moreover, the ownership of large scale industry has tended to be diffused in considerable measure through the holding of shares by people of moderate and small means. Further, large scale industry need not involve monopoly. We may have many large plants, big enough to accomplish full utilization of by-products and the economies of large scale production, and yet maintain effective competition among them. Public policy in the United States, both under State legislation and under the Sherman law, works toward preventing monopoly, while at the same time permitting economical large scale production. When Marx wrote, there was substantial evidence for his view that machine production was bringing misery rather than good to the masses of the laborers, but the evidence today is overwhelming that the condition of mankind has been markedly improved by machine production.

Crises, which Marx expected to become worse, are getting better. Through improvements in banking methods, through a better understanding of the causes of crises, and through more general diffusion of economic knowledge among business men, we are learning increasingly to diminish the severity of crisis and depression. More prudent than we used to be in boom times, we suffer less from reactions.

Marx was right in his view that if the masses of mankind should become propertyless, if the economic middle class should disappear, a small group of rich capitalists would be unable to defend themselves. But this view involves on the other side, as Marx himself recognized, the fact that where you have land and other wealth widely diffused, when large elements of the population have a stake in private property, a social revolution of the kind which he desired will be exceedingly difficult.

Marx predicted that socialism would come as a matter of inevitable necessity through the working out of iron laws over which man has no control. Many modern Socialists are disposed to say that whether or not Marx is right on this point, the process will be so slow that they cannot wait for it, and are seeking actively by propaganda and legislation to accomplish their heart's desire. The argument has shifted from the question of whether socialism is an inevitable thing to the question of whether it is a good thing.

Another interesting social radical, different in many ways from the Socialist, is the Single Taxer. He proclaims vigorous opposition to Socialism. He is an individualist. He wishes to have free enterprise; he wishes to have competition; he wishes to limit the functions of the Government to a minimum. The one thing he proposes to do, which he thinks will abolish all poverty from the world, is to tax land practically to the full extent of its economic rent, leaving the landlord indeed the hollow shell of legal ownership, but taking from him the kernel of economic substance. On the other hand, the Single Taxer would not tax improvements on land at all, or any other of the products of human effort. He is willing that men should receive profits and interest and wages, declaring all of them to be the legitimate rewards of human endeavor. The land itself, however, is a gift of nature, he says, and the yield from the land should belong to society as a whole. There is not space for a general discussion of the Single Tax, but we may call attention to one feature of it. If the Single Taxer has his way, he will go far toward destroying that economic middle class which constitutes the great bulwark against Socialism. By and large, landed property is held in the United States today by people of moderate means. With few exceptions, great fortunes are not invested in land. There are millions of land owners in the United States. If they are ruined, private property in general will be greatly weakened in the political struggle.

Among the more violent social radicals are the Syndicalists. This movement started in France. The French syndicates (Syndicats) are a form of labor organization, and the first step taken by the American Syndicalists, the so-called I.W.W., was in the formation of a new type of labor organization, the so-called industrial union, as distinguished from the trade union. The trade union cuts across industrial lines. Thus, a carpenters' trade union might include carpenters in the building trade, carpenters attached to a brewing establishment, carpenters working in a wagon factory. An industrial union, however, in, say, the brewing industry, would take in all the carpenters in that industry, all the coopers, all the brewers, all the truckdrivers and so on, in a single union.

This is merely the beginning of the difference between Syndicalists and the I.W.W., on the one hand, and the American Federation of Labor, headed by Mr. Gompers, on the other. Between these two organizations there is a bitter feud. The American Federation of Labor is based on the trade union, having found by experience that it is not easy for workers of diverse types to combine effectively in a single close organization. The Federation