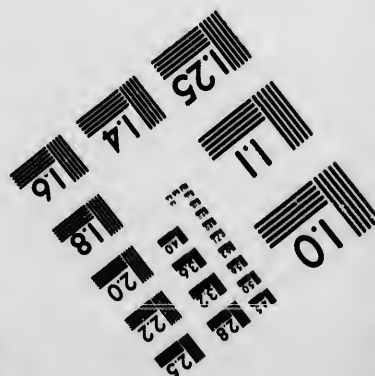
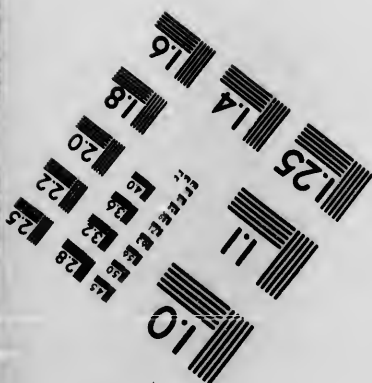
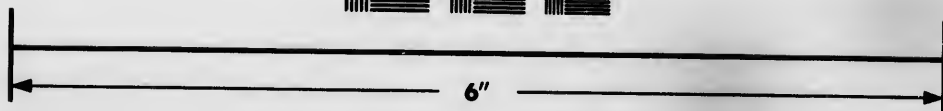
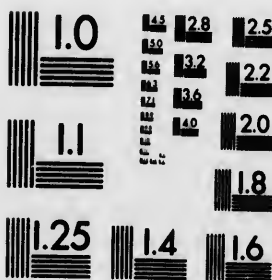


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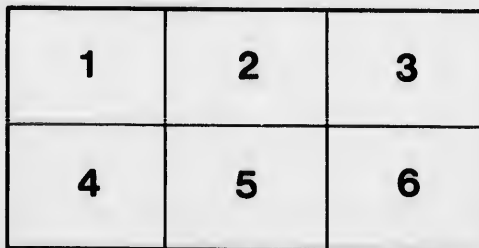
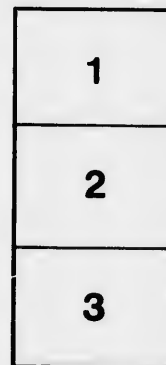
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HETERODOX ECONOMICS

....VS....

• ORTHODOX PROFITS

A PRELIMINARY PAMPHLET.



"The economic structure of society, *i. e.* the method of production and distribution of the products of labor, is and always has been, the basis upon which everything else rests."—(STUDENTS MARX.)

"Howbeit that is not first which is spiritual, but that which is natural, then that which is spiritual."

—(PAUL OF TARSUS.)



...BY...

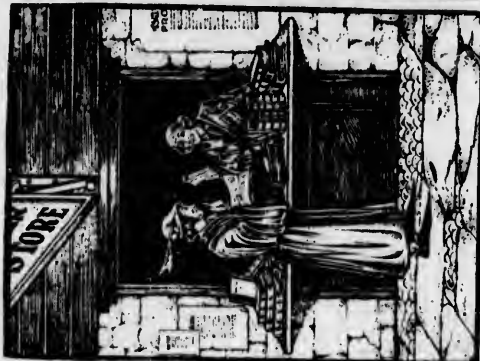
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E X · L I B R I S



T. EDWARDS
HIS BOOK

PREFACE.

THE purpose of the writer of the following pages is to call the attention of readers to the fact that the sum of money realized as *net profit* in a mercantile transaction is actually an absorption of a fellow business man's floating capital, and does not represent an increase in the wealth of society, but an *unearned* increase of the wealth of an individual (or nation) at the expense of society in general, and at the expense of a bankrupt fellow business man (or nation) in particular. The point I wish to make clear (I may fail to make it clear in this limited essay) is that absolute net profit, which is admittedly the goal aimed at by the business man of the 19th century, is *unrealizable*; and that the mercantile policy which tries to realize it is responsible for mercantile and social chaos.

To understand my argument, the reader must understand clearly that in using the term profit, I refer to the realization by the typical seller of a manufactured commodity of a sum of money in excess of the sum of money which was put into circulation during the process of manufacturing and marketing the same commodity. If such a sum of money is realized, where does it come from?

Money is the equivalent form of the manufactured commodity. If that be so, the sum of the money cost of the commodity and the sum of the floating money equivalent form of the commodity (circulating as an exchange medium) must be exactly equal. How then can the sum of money realized by a *mercantile exchange of the finished article for its cash equivalent* exceed cost?

I claim that in all the history of commerce, neither the manufacturer, the wholesale jobber, or the retail merchant, has succeeded in selling his goods above cost.

To understand this argument, the reader must understand clearly that in the economic analysis of this claim, the *class* of manufacturers and the *class* of retail merchants are being discussed, and not the individual members (or nations) of the *class* who have made

profit by absorbing the capital of their fellows; thus throwing the employees of their bankrupt competitors into the ranks of the unemployed.

To a man who argues on the basis of the success of 5 to 10 per cent. of a class, Bradstreet and Dun & Co. support my argument by proving statistically the failure of 90 to 95 per cent. of the same class.

I have purposely kept clear (in this pamphlet) of the wages question. My reason is, that to treat that question as thoroughly as its nature requires, the purpose of this particular pamphlet would be obscured. I am prepared to deal with the subject "Wages" on a future occasion. I would suggest here, however, that if a definite sum be paid as cash wages for services embodied in the commodity, the sum termed net profit must be extracted from some other source if it be realized by the seller of that commodity, since not more than the sum of his wages can be realized in cash from the wage receiver.

If I succeed in making out a case, I respectfully submit that to students of sociology a vast field of revolutionary thought is opened up. I am prepared to make the assertion that the supremacy of England in politics and in international finance, results from her "profits" acquired by absorbing universal products as the typical manufacturer and dealer in commodities, *along the line suggested in this pamphlet*. The solution to this problem will also solve those perplexing problems of international import arising from the acquisition of new territory or "markets" to suit the necessity of mercantile *profit-mongering*. That solution is the collectivist programme of the International Socialist Labor Party. The currency problem is vitally connected with the acquisition of profit. Gold and silver are commodities, and my use of the term profit covers the net results of *dealing in gold and silver*, or proceeds realized above *cost of running a finance department*. If circumstances permit, I will deal in future with the bimetallic or 16 to 1 idea, also the matters of interest and rent.

H. B. A.

London, Ontario, Canada, February 7, 1897.

INTRODUCTORY.

THE ashes of the heterodox exponents of God's newly discovered —but ever present—laws, have been the salt of the earth in all ages ; refreshing the roots of progress when withered by barren professionalism, and nourishing truth when crushed by the gilded heel of orthodox infidelity.

✕ Socrates was poisoned by the orthodox of Athens because he agitated ignored principles ; and in this 19th century the same Socrates is acknowledged as "the founder of ethical science."

Jesus of Nazareth, a heterodox Jew, "Son of God," and "Light of the world," was crucified by orthodox churchmen nineteen centuries ago, for preaching unaccepted Truth. He is being crucified to-day by the modern orthodox. Yet the blood of Jesus has so vitalized a sterile soil, that a wilderness of error has given birth to springs of eternal life-giving streams, long suppressed, but now as the twentieth century dawns, bubbling upwards out of the most rocky of stony places, refusing longer to be confined.

Martin Luther in Germany, John Knox in Scotland, John Wesley in England, and the Puritan Fathers in America, were all heterodox in their efforts to purify a stream which "orthodox" followers have again polluted.

The records of progress in scientific knowledge tell the same story of heterodox devotion to truth in spite of orthodox persecution.

The oft repeated story of Galileo, the heterodox astronomer ; the early reception of Charles Darwin ; the social and political persecution of Karl Marx, the able German scholar, famous as one of the founders of the International Socialist Labor Party, all testify to the fact that God has ever chosen the heterodox soul to scale the rugged heights of progress and erect on higher levels the standard of Truth.

Regarding orthodox antagonism to heterodox economic administration of mercantile affairs, it is certainly true of many very worthy and well meaning victims of false teaching and good intentions, that they do not possess correct knowledge of economic laws, and consequently "know not what they do" in opposing the propagation of truth, and supporting the perpetuation of existing criminal errors.

The writer pleads for a study of "Heterodox Economics" by all who would guard the future from the nameless horrors of bloody social strife, and revolution by physical force; and especially commends its perusal to those who profess to adopt as their inspiration in practical daily relationships, a gospel which was designed by God and Jesus to regenerate and peacefully revolutionize human society.

Orthodox political and mercantile economics on the American Continent (in Canada and the United States, as in Europe) have demonstrated their falsity by their products; and the pagan antecedents to which they owe their origin are made manifest in the fruit they bear.

It is blasphemously untrue to assert that poverty is a disciplinary dispensation of Divine Providence. All efforts to instil that kind of doctrine into uninformed minds are insults to a beneficent and bounteous Deity, and a manifestation of discreditable ignorance of easily discovered and long ignored economic principles. Peace and plenty are the absolutely sure outcome of obedience in mercantile engagements to God's economic laws. Poverty is a product of economic mismanagement, reflecting discredit on the administration responsible for its presence. Jesus said nothing in denial of this truth (see Matt., xxvi., 12; John xii., 8).

Let the reader answer to himself or herself the question, "What class in the community has control of the administration of affairs in commerce and politics?" The answer to that question will name those who are responsible for the presence of poverty, and its attendant crimes and miseries, resulting from their incompetent policy.

It is very evident to any man or woman who once gets his or her eyes open to a correct perception of economic arithmetic, that the design of the Creator of this planet was luxury for every man; woman, and child born to inhabit it. This is demonstrated by the bounty of nature under cultivation, by the productive capacity of applied mechanics, and emphasized by the teaching of strictly business-like principles in heterodox political economy.

This luxury was intended for and is *absolutely possible* for every individual. Not for a minority; not for a majority; but absolutely sure to every person who lives under a really business-like and common-sense political administration. We do not live under a business-like mercantile policy to-day, and orthodox beliefs in that direction have no foundation in fact.

I call the attention of the civilized world to the existence in past and present orthodox mercantile practice, of an arithmetical absurdity and criminal error in estimating price for commercial exchange of commodities. An arithmetical error wholly ignored by all orthodox economists, politicians, financiers and statesmen; and also so far as my research has discovered, equally over-looked by all so-called economic reformers and writers outside the ranks of the International Socialist Labor Party. Regarding Socialist publications, there is certainly a clear perception of the fact that *profit is robbery*. I do not, however, discover in any literature I have read, a satisfactory analysis of the mercantile process of exchange, which demonstrates to the opponents of collective ownership of the machinery of production and distribution, the economic truth that profit is really robbery from an *arithmetical and purely business standpoint*, independent of moral considerations, or sentimental sympathies. I have made a careful study of "Capital" by Karl Marx; a book which I consider the worthiest and most thorough economic work published in the English language, and in that famous work I find the same absence of satisfactory arithmetical analysis regarding the economic origin of profits.

Henry George's work, "Progress and Poverty," is simply foolish as an example of economic analysis. "Coins' Financial School" is

also wholly at sea regarding the economic cause of mercantile chaos ; and Herbert Spencer has failed to calculate on this arithmetical error in his treatment of socialism in the final volume of "Synthetic Philosophy," recently published.

In this preliminary pamphlet I cannot attempt to elaborate the facts which (if I am permitted by circumstances) I hope to expound in a more extensive work ; I cannot even outline as fully as I wish to do, the analysis I have in preparation. I can say here, however, that I do not have to say I think, or that I believe, but I say that *I know*, that the arithmetical error to which I call the attention of the intelligence of the world, is positive, scientific, and immutable in its disastrous operations. It is an economic blunder sanctioned by antique orthodoxy, which controls positively the mechanism of mercantile exchange in all countries now conducting commerce *on a metal currency basis* ; and to ignore this fact is criminal oversight on the part of administrators in politics and commerce, since the error referred to is the long hidden basis of inevitable mercantile bankruptcy, social chaos, and domestic poverty.

I address my thoughts to all upon whose shoulders will fall the burden of impending revolution, which, peaceably or by force, will certainly readjust our social system, now bankrupt under the orthodox mal-administration of our misguided forefathers and present rulers. It is criminal to our children to drift languidly down the stream of present tendencies in commerce and politics.

God has always nerved the soul of the revolutionist to drive the worshipper of false gods from the land of Canaan, and to accomplish the Divine purpose in the removal of obstinate wrong.

It is the truest selfishness for the individual to assist in establishing social stability and the permanence of private property in the product of personal industry. The policy of our present mal-administration actively assaults both social stability and the security of private property. To-day it crushes individuality, robs industry of incentive, rewards cunning ; and breeds social, political and religious monstrosities.

I demand a practical recognition of the catholic spirit of universal brotherhood. A true catholic spirituality is foreign to a false economic basis. Not until the economic errors, which are the concealed roots of social discord; are cast out, will true religion overcome all Protests and Nonconformities. When this is done, the ideal Catholicism of a united international brotherhood of men and women worshipping in common at the one altar will speedily culminate.

Let wisdom discard a suicidal policy in time. There is nothing to fear from the Socialist Labor Party. Salt purifies and preserves the good, it makes only impurity smart. Let us be the "salt of the earth."

When it is clearly and satisfactorily proved that God's natural bounty is backed by scientific economic administration to ensure the unending prosperity and social equity of all men and women, and ensures the banishment of all fear of poverty under correct political legislation; then he can be neither a patriot nor a Christian, who would permit moral cowardice, personal greed, selfish ambition or any religious fallacy to withhold him from the propagation of heterodox economics, and the inauguration of a peaceful, in preference to a forcible and bloody, mercantile revolution.

H. B. A.

HETERODOX ECONOMICS

V.

ORTHODOX PROFITS.

I.

TRUTH and error are terms equivalent to good and evil. All truth is good, and all that is good is true. Error is evil ; and every erroneous policy must necessarily produce evil results. "A good tree cannot bring forth evil fruit" in mercantile or political practice.

If you drop the letter "o" from the word good, you have the principle personified in the term God. If you add the letter "d" to the word evil, you have the principle personified in the term Devil. God and the Devil both manifest themselves in the forms of men and women ; and mercantile practice is no exception to the rule in which both "live and move and have their being."

Heaven is the dwelling place and source of inspiration of all truth and good. Hades (or hell) is the dwelling place and source of inspiration of all that is evil and erroneous. If there is error in mercantile and political organization, do not support or approve of it, for it must be of the Devil, and cannot fail to breed the Devil's own product, chaos and crime.

"Do the right and dare the Devil." Discover and establish truth, so fulfilling the law of God in commerce and politics, as in all else. The product will be social peace and individual plenty.

II.

The bankrupt political parties of the orthodox civilized world have hung out the sign, "Wanted, a mercantile policy!" The economic situation is an unsolved riddle to all alike, Grit and Tory ; Liberal and Conservative ; Democrat and Republican ; Patrons and

People's Party. None of these produce a statesman or financier who gives evidence of knowledge of a correct analysis of the universally deplored situation. The so-called social problem must be acknowledged as a mercantile problem ; since economically the social status of every individual is determined by his income. Such being the fact, not until a clear analysis is discovered of the arithmetical workings of the financial methods adopted (on a metal currency basis) for the commercial exchange of commodities, *of which incomes are composed*, can any statesman or political party formulate a mercantile policy which shall meet the demands of the now serious situation. The heterodox International Socialist Labor Party is the only political party presenting a mercantile policy of an intelligent nature, ensuring permanent security to private property in the products of individual effort. Our present chronic bankruptcy gives us *no* such security.

III.

The rainbow chasing goal of an erroneous mercantile policy, inspired from Hades, is *the accumulation of profits*.

The attainable goal of a mercantile policy under Divine inspiration, is *the equitable distribution of manufactured commodities*.

All Hades inspired political and mercantile administrations result in social confusion, political corruption, and commercial bankruptcy ; breeding millionaires and paupers. The history of all past dynasties is a testimony to this fact. The culmination is expressed in the term damnation.

All Divinely inspired political and mercantile administrations result in social harmony, political purity, and commercial stability ; breeding a race of equitably related men and women. The culmination may be expressed in the term salvation.

I ask you three questions, viz.: I. Name the goal aimed at in mercantile practice by the "business man" of the nineteenth century ?

II. Name the social, political, and mercantile results of the administration of the "upper classes" of the nineteenth century ?

III. Name the source from which the present mercantile and political policy of so-called Christian countries is inspired ?

In giving your answer to the third question, avoid insulting the Deity ; and bear in mind the eternal truth that "a good tree cannot bring forth evil fruit."

If a survey of the existing universally deplored results of our minority-manipulated administration, leads to an unpleasant conclusion, truth makes no apology for its verdict on matters of fact where demonstration rises above theory.

The goal of the orthodox mercantile policy of to-day is the *accumulation of profits.*

IV.

Profit, the goal of the orthodox "business" man (both Jew and Gentile), can, under a metal currency system of finance, only be realized by a process which permits a legal absorption or misappropriation of the floating capital of competitors. Cash profits cannot be and never have been realized by any other process. In a future more extensive work I will presume to criticise in detail the masterly work of Karl Marx, regarding the origin and source of profits, or "surplus value." I claim that profit, so far as the financial phase is concerned, is not derived by an extraction from the wage receiver ; since it is utterly impossible to receive back in the sale of a commodity to a wage receiver a sum of cash in excess of the amount paid to him in the process of manufacturing the commodity. Profit is an absorption ; a mis-appropriation ; an extraction from the market, of *the floating capital of competitors* ; accomplished by a demand price in excess of cost being realized by fortunate sellers. Hence, bankruptcy is a scientific sequel to profit realization.

Increase in the rate of speed of manufacturing and marketing commodities, which is the process by which money capital is put in circulation, measures the rapidity with which floating capital can be absorbed by realizing cash values in excess of money capital expended ; in other words, *selling for cash above cost instead of ex-*

changing commodity for commodity on the basis of equal values. Thus, we can easily understand why, with improved machinery for production and more rapid marketing of commodities in recent decades, we necessarily have the scientific sequel of, as rapidly recurring financial crises; known as bankruptcy *et al.*, with an *increasing army of unemployed on the one hand and bigger fortunes on the other.*

The human products of this Hades-conceived *profit accumulation* policy, are merchant princes, bankrupts, and the "proletaire." Henry George, in his work "Progress and Poverty," has made an analysis so unscientific, that in order to give support to his plea for single tax he makes the preposterous assertion that wages of superintendence (meaning the profits or incomes of capitalist employers) have not increased with the increase in productive powers of machinery. (Book III., chapter VIII.) The treatment of the term profits by this widely read author is so thoroughly absurd, that popular ignorance of mercantile economics alone explains the position given to his work by ill-informed admirers. In a future work I purpose examining the fallacy of some of his baseless assertions; showing that ownership of land in a commodity producing civilization follows the accumulation of mercantile capital, proving in direct antagonism to "Progress and Poverty" that the original landed aristocracy are absorbed by the mercantile mortgagee. That the original landowner does not absorb the mercantile capitalist, but the mercantile capitalist absorbs the original landowner, is proved in England.

V.

Profit (*the goal of mercantile orthodoxy*) must be clearly distinguished from wages for labor of superintendence, and also from increase in product. Profit is neither of these. Like so-called common labor, the labor of superintendence has a definite market value or price, fixed by certain laws. *Salary for labor of superintendence* is the economic equivalent to *wages for common labor*. This is speedily discovered by those unfortunate (though industrious and thoroughly competent) mercantile profit seekers, who become bankrupt through

no lack of faculty on their own part, but simply because competitors* have more rapidly absorbed as profits from the market, their floating capital, viz.: the constituent money factors of the price of commodities circulated by the loser in process of manufacturing his particular article; and which for the reason stated he cannot recall in exchange for his own finished commodities. A bankrupt is not a man without commodities; he may be a man with first-class business talent, but simply unequal to the accomplishment of a scientifically impossible task, viz.: the recall of money expended in the purchase of constituents of his commodity, after a competitor has successfully realized above cost; that margin above cost being the bankrupt's missing capital. Such a man, finding future employment as *superintendent* for a corporation or former competitor, speedily discovers the difference between profit and wages of superintendence, and learns that the net receipts of the concern *he now manages* do not accrue to him, but to some capitalist, his income being considered equal to the *market value of the services of superintendence*, and limited to *salary* determined by the same laws that determine common wages. Hence the income which any employer is entitled to receive for personal services can speedily be discovered by comparing his labor with that of a man *performing the same duties for salary*, in a business of similar volume. All that any employer appropriates in excess of such salary is profit, which the law of Christian morality, in accord with the economics of stable commerce, declares that he *did not earn*; and it is the unfulfilled duty of the political economist to explain by arithmetical analysis the source from which this "un-earned increment" is derived. Without a correct diagnosis of the disease, the chances are that a proposed remedy will be ineffectual. This is the fact in regard to single tax. Henry George gives no evidence of correct thought regarding "wages of superintendence" and "profits." The "flood of light" which streamed in upon him in discussing "rent and the law of rent" (Book III., Chap. II., "P. and P.") was evidently not the cosmic light of a higher

*Not necessarily in the same line of business—but competitors in every line of business absorbing floating capital as profits.

intelligence, or it would have revealed to him the error of his analysis. Even his claim that "wages are drawn from the products of the labor for which they are paid" is an unacknowledged plagiarism from the famous work of the International Socialist, Karl Marx. Mrs. Fawcett, in "Political Economy for Beginners," discusses and criticises this theory as though it was original with Henry George. A reference to the Humboldt edition of "Capital" (Page 357, Part VII., Chap. XXIII.) will establish the fact, that long before "Progress and Poverty" was written, Karl Marx (who died in the year 1883) had published to the world the statement, "*the laborer is not paid until after he has expended his labor power, and realized in commodities not only its value, but surplus value* : also "*he has also produced before it flows back to him in the shape of wages, the fund out of which he is himself paid*"; and again, "*what flows back to the laborer in the shape of wages is a portion of the product that is continuously reproduced by him.*" In view of single taxers' attitude to the Socialist Labor Party in the United States, it is not creditable to Henry George that he should elaborate this idea as original, and fail to acknowledge in "Progress and Poverty" his indebtedness to the eminent German Socialist, whose theories were reviewed in the English language long before either the Humboldt edition of "Capital," or Henry George's work was published.

VI.

I return to the point that orthodox mercantile *profit* must be clearly *distinguished from increase of product*. Increase in volume of commodities, which constitute wealth, or products, results only from one of the three following causes, viz.:

- I. Extension of the area of cultivation of raw material.
- II. Improvement in capacity of mechanical or chemical appliances acting on raw material.
- III. Increase in the number of laborers, acting in concert with I. and II.

As correctly stated by Karl Marx, the unit of wealth is a single

commodity. Now it is an undeniable fact that no commodity in the mercantile universe is composed of more than two factors, viz., 1st, raw material; 2nd, materialized human labor.

There is thus absolutely no natural limitation to luxurious wealth for every human being, but a scarcity of one of these two factors; either raw material or human labor. Hence existing poverty in professedly Christian countries is antagonistic to the evident provisions of the Deity. Its toleration is an insult to God. Individual poverty in modern society from lack of employment, or from insufficient remuneration in return for labor expended, must, therefore, necessarily result from a mercantile policy, directed and inspired from the realm of error. Its practice disorganizes the relations of man to man, and separates labor from materials. No Divinely inspired mercantile policy can produce such results. True economic science realizes the Divine designs of luxurious wealth for all, under rational political administration.

Social results from either of the above mentioned three causes are not mercantile profits. Society as a whole thereby reaps an *increase in its total product*. Only the *individual* makes profit who realizes an "*unearned increment*," or *misappropriation* of the social increase by some traditionally sanctioned process, or under the cloak of a *fundamental error in the arithmetic of the money process of exchange*, which permits him to demand from the market a sum of money in return for his commodity that is in excess of the sum of money that he himself put into circulation as payment for the constituent parts of that commodity. Since money does not grow on fig trees it must be interesting to trace the source from which is drawn this *sum in excess of cost, which is correctly termed profits*.* That is the task which I do not find satisfactorily completed by any orthodox economist, not even by Karl Marx, who certainly makes the nearest approach to a correct analysis so far as my present research has discovered.

*On this matter Francis A. Walker, in trying to explain what cannot be explained, gets miserably mixed up. The "excess of price above cost" is a phantasm.

VII.

Profit is something taken for nothing given. The process, or *modus operandi*, by which profit—the sum of money absorbed from the market by a seller in excess of the sum of money put into circulation by himself—is realized, and bankruptcy of commodity holders realized as its scientific sequel, is the mercantile practice in finance of raising the selling price of commodities above the sum of the *cost price* (*I claim that cost price embodies the sum total of the purchasing capacity or money income of the whole community, including rich as well as poor*). This absolutely foolish and universally disastrous practice of raising demand price above cost dates from the inauguration of metals as currency, and is a Pagan practice of ancient Pagan merchants who “*knew not God*.” This corrupt policy, thoroughly unscientific from a monetary standpoint, is retained by a *professional* Christianity in commerce, without any *practical* enquiry into the desirability or undesirability of perpetuating a mercantile policy conceived by heathen merchants in an undeveloped age, before Christ—“The Way, the Truth, and the Life”—gave to mankind a new philosophy, *applicable to mercantile economics* as well as to all other spheres of human activity.

A mixture of Pagan practice with Christian profession is like mixing oil and water. No harmonious brotherhood can result from such attempts to blend scientifically irreconcilable principles. *It is a fact not yet properly recognized, that the Gospel of Jesus embodies thoroughly rational science.* It is the law of God, spoken by Himself on social relationship, and mercantile association is the basis of the social organism. Our past and present mercantile policy, not being according to the design of the Deity, must necessarily have been conceived in the abiding place of error, and is being perpetuated under inspiration from false prophets who “*know not what they do*.” These have reared as the material stronghold from which they attack the laws of God and the Catholic Church of Christ, an enticingly beautiful gilded structure, viz., a gold and silver metal currency system for the absorption of profit rather than for the equitable exchange of commodities.

Read "Revelations" Chap. II., Verse 15: "*So hast thou also them that hold the doctrine of the Nicolaitanes, a thing which I hate.*" That doctrine was an effort to accomodate Pagan practices to a Christian philosophy. The curse of God's damnation has always followed such abominable insincerity. Its product in the last decade of the 19th century is political corruption and incapacity; mercantile abortions and bankruptcy; social chaos and impending bloody conflict; religious phariseism, and sectarianism in place of a Catholic brotherhood. That "the wages of sin* is death" is an edict of rational social science and psychological truth, is evidenced by the historic ruins of many once flourishing dynasties, and the advance tremors of coming revolutionary upheaval in commerce and politics, warn of a decaying iniquity about to be once again overthrown under the Divine inspiration of righteous resentment.

The sonorous call comes to the existing directors of the mercantile policy of Europe and America. "Repent ye, for the Kingdom of Heaven is at hand," and the Socialist Labor Party is conscious of its mission as a political savior to social organism. Gold and silver as a medium for exchange, and standards of value, are tried in the balance and found wanting. They simply lend themselves to the purposes of a profit-accumulating system for the manufacture of bankrupts and paupers. Like metal helmets, shields and breastplates, their usefulness has passed. They belong to an antiquated past, and to a Pagan mercantile philosophy. They now impede progress to better things and happier days. A coin collector of to-day unconsciously collects the future museum in which has been preserved the antique armory of a past mercantile system, which "slaughtered the innocents" and crucified the truth. Metal coinage is in no sense essential to the natural and only true scientific exchange system for distribution of commodities under collective or social industry now in vogue, and soon to culminate in municipal, county, state, provincial and national production and distribution.

*Sin is a violation of any law, whether physical, economic, or spiritual.

VIII.

I have said that "Profit" is something taken for nothing given, and that the process by which this disastrous error is practiced, and bankruptcy made certain for the many who "chase the rainbow," is the foolishness of raising selling price above cost price of manufactured commodities. "*Price depends entirely upon the actual substance that is money,*" says Marx in "Capital," Part I., Chap. III., Sec. 1. I claim, and propose to demonstrate, that that part of price which is covered by the term *Profits*, has no substantial counterpart in the money market either in gold, silver, or paper currency, and that it cannot be realized by any merchant except by an absorption of the actual money counterpart, which is the substantial representative of the cost price of his neighbor's commodity. Hence bankruptcy of the neighbor is a scientific sequel to profit accumulation by the "successful" gentleman in the misappropriation business. *The wage receiver is crushed beneath the nether millstone.* It is possible I am in error in the statement, but I believe I am correct in saying that *no writer has yet unfolded to the world a correct analysis of the mercantile process, or modus operandi, which proves this fact.* Worked out to its full results I am prepared to say that this arithmetical error will be found to be the basis of every phase of economic confusion, and social problems, from the purely economic or material standpoint, which is the true basis of stable moral and ethical structures. "*Howbeit that is not first which is spiritual but that which is natural; then that which is spiritual,*" (so wrote Paul of Tarsus).

IX.

I cannot, in this limited essay, discuss fully the Marx theory of "Surplus Value." I can say, however, that I am not able to see my way to accept as sound and scientifically correct the reasoning advanced in "Capital," Part III., Chap. VII., Sec. 2., regarding the illustration which I proposed to demonstrate that "the trick has at last succeeded; money has been converted into capital." (Page 109, Humboldt Ed.) The book, "Capital," does not reply to my enquiry

as to the origin of the realized surplus of 3 shillings in the examples given by Marx, dealing with the sale of 20 pounds of yarn.

Karl Marx says, (Page 109) "27 shillings has been transformed into 30 shillings, a surplus value of 3 shillings has been created;" and a few lines further on says, "*the laws that regulate the exchange of commodities have been in no way violated. Equivalent has been exchanged for equivalent.*" It seems to me that Marx has built his theory at this point on an assumption which is not permissible to a scientist. He assumes the existence in the money market of 3 shillings in excess of all the money in circulation under his illustration, and it certainly cannot be true that, in exchanging 27 for 30, "equivalent has been exchanged for equivalent." I cannot accept as scientific the term "created" as applied to the 3 shillings in question. If 30 be given for 27, the margin of 3 is a tenth part of 30 and has no origin that is to be explained in other terms than the explanation given for the other nine-tenths, viz., the 27. That origin is found in payment for constituent parts of commodities.

Hence if 30 be realized in exchange for 27, the margin of 3 called *profit*, or "surplus value," must be an absorption of 3 from another 27 in the market issued by a neighbor who has also circulated that 27 as the money representative of the constituents of a contemporary 20 lbs. of yarn. If Karl Marx absorbs 30 where he only circulated 27, it simply means that his neighbor can only realize 24 in place of his 27. A repetition of the transaction will find one gaining profits, by no exercise of brains, while his neighbor becomes bankrupt, not from lack of ability; the workmen of the latter forming the ranks of the unemployed. Now, if both Marx and his neighbor had sold for 27, viz., cost price, both would sell all their goods and regain their capital, continuing to employ the workmen of both in a process of reproduction. The "fallacy of saving" is a serious one. To save any of the money in 27 will stop the turnover of the commodity to which it is related as a constituent part of price. I cannot, in a limited pamphlet, do anything like justice to my analysis; but simply suggest the inextricable confusion into which our past and present economy throws the whole mercantile world.

I consider the absence of any explanation as to the origin of the substance spoken of as the "created" 3 shillings, is a serious defect to the whole theory of "surplus value" so laboriously worked out by the greatest economist of the 19th century, Karl Marx.

X

My own analysis is a product of personal observation during 25 years daily engagement in active mercantile life; covering experience in manufacture on a mammoth scale in England (14 years with a firm employing 3,000 hands), and 11 years in Canada, varied by active experience in factory manufacture, wholesale jobbing and busy retailing, and commercial travelling. The result of my personal observation is summed up in three statements on the matter of profits, viz.:

1. The cost price of the sum total of manufactured commodities is the sum total of money in circulation; and is the exact equivalent of the sum total of incomes; consequently excluding the possibility of realizing above cost by the act of exchanging commodities for money.
2. That net profit is an economic phantasm, scientifically unrealizable. Hence, what is known as net profit in commerce, is misappropriated wealth, ensuring a neighbor's bankruptcy, and the wage receiver's poverty, entailing all the crimes in the calendar.
3. That human labor, applied to free raw materials, being the only component in any commodity known as wealth, luxury limited only by scarcity of labor or materials is the design of the Deity for every individual born on this planet, and this design will be realized under a common sense business administration, which we do not now enjoy.

XI.

My experience is, that in fixing price for marketing commodities, absolutely no consideration is given by "business" men to the fact that price is an expression of a sum of money which must exist in

the market in substance, and not in theory, if it is to be realized. Hence the question is never considered, "*Are the constituent parts of my demand price present in substance in the money market?*" or to put it another way, "Is the income of all classes combined equal to the purchase of this commodity at this price?" Marx appears to have overlooked these points. Examination reveals the truth that price is made up of two factors, viz. :

I. Cost.

II. Profit.

Only one of these two factors of price can present itself as a purchaser in the form of money, whether in gold, silver or paper, or all combined, and that is *cost*, which is simply the expression of incomes on the one hand and the commodity on the other hand. Profit has no existence. It is an unrealizable phantasm and has lured the 19th century to the verge of forcible social revolution. *This danger can be avoided only by an immediate inauguration of peaceful revolutionary reform. Delay is fatal to the wealthy.*

XII.

Before giving a simple example to illustrate my analysis I will deal briefly with the matter of incomes. No person can arrive at a correct conclusion in political economy who does not trace all money incomes to their source. An investigation will discover that there are two main groups or classes of income, viz. :

I. Primary (viz., Industrial).

II. Secondary (viz.—professional, menial and governmental).

Primary incomes are the money equivalents received by the various classes who excavate, cultivate, or otherwise secure raw materials; and by those other classes, who, with muscular and mental energy, combine to perform the services required to transform this raw material into a finished product, viz., the manufactured commodity (including transportation up to point of marketing the commodity for consumption).

Secondary incomes are portions of the money expenditures of those who receive primary incomes, which portions of primary incomes are received by other classes of the community as money equivalents in return for professional, menial, or Governmental services, which are developed by the evolution of the primary group from independent to social, or collective manufacture of the commodity.

It will thus be seen that the primary (*industrial or commodity producing*) income, includes all secondary incomes. In other words, the cost price of the manufactured and marketed commodity includes the total money in circulation, and constitutes the financial or *temporary equivalent* form, as distinguished from the actual commodity income, of *all classes* in a civilized community.

The commodity is the actual and only real income. Money, its financial equivalent, is a convenient and less bulky counterpart, having as its chief function the facilitating a time-saving and labor-saving exchange or distribution of the varied commodities manufactured under a *collective system of sub-divided labor*.

It will not require a vast amount of intelligence to perceive that the total sum of the money counterpart is the exact equivalent of the total sum of the *money cost* of the commodity.

How in the name of common sense can net financial profit in "excess of cost" be realized or "created" by a simple process of re-collecting the money in exchange for the finished commodity through the medium of a self-sacrificing retail merchant?

I have never yet come in contact with the retail merchant who gave evidence that he realized the true nature of his "business." The typical retail merchant, as also the jobbing warehouseman, is blissfully ignorant of the astounding fact that in its infinite "business" wisdom his class is foolish enough to saddle itself with the manufactured commodities of the mercantile world, and contract to collect and pay over to the manufacturer (per invoice) a sum of money for those commodities in excess (by the amount of profit) of the total income or purchasing power of all classes of society, even supposing no person saves a copper. No

wonder that Bradstreet and Dun, Wiman & Co. report the frightful "mortality" of 90 to 95 per cent. of those who undertake to engage in such a crazy "business." No wonder that the manufacturing *class* is absorbing the wealth of the world, while the retailer is destined to go "to the dogs," and the perspiring wage-receiver is ground beneath the nether millstone of such an unscientific mercantile policy. Henry George discovered a mare's nest when he discovered the capitalist-manufacturer to be equally oppressed with the wage-receiver. Single Tax is simply a red-herring across the trail, those who follow it getting away "off the scent."

I repeat again the saying of the ancient seer, "The wages of sin is death," and the mercantile steward who, becoming conscious of the truth, will reap the "profits" of his brother's downfall without exerting himself to overthrow the system which permits him to corrupt the social organism, will reap his reward on the spiritual plane, if not on the material; for "God is not mocked" (Gal. vi., 7-8), and "all is not gold that glitters." There was quite a depth of meaning in the saying of Jesus of Nazareth, "Not every one that saith unto me Lord, Lord, shall enter into the Kingdom of Heaven," (Matt. vii., 21); and Dives found himself "in Hades" notwithstanding the charity of his crumbs for Lazarus.

XIII.

In this pamphlet I am not discussing the honesty or economic justice of the incomes derived from rent and interest. Both these items are positive factors in orthodox mercantile practice, and substantial money is handed over to their recipients. Hence these sums must be counted in any example illustrating the cost of commodity production under existing legislation. For that reason both rent and interest will be given their proper place in the estimate of cost which follows. I may point out here that my use of the term profit covers that sum of money received by individuals as interest which is in excess of the actual money expenditure or *cost* in connection with money loans. It also covers the sum of money received

as rent which exceeds the actual money expenditure for taxes and cost of maintenance, or wear and tear of property.

It is very important to students of political economy to note carefully the very definite distinction between primary and secondary rents, interest and incomes. There is primary rent and interest, and there is secondary rent and interest, just as there is (as previously noted) primary and secondary incomes.

All primary rent, interest and other incomes constitute the cost price of commodities. All secondary rent, interest and other incomes are included in the cost of commodities (indirectly) as expenditures from the receipts of primary income recipients. Hence all incomes combined do not exceed financially the sum of the cost of the commodity, and the item *profit is a phantasm* with no substantial counterpart.

Net profit is simply individual misappropriation of social product, rendered possible by arithmetical increase of demand price above cost. The absorption from circulation of competitors floating expenditure by this process necessarily bankrupts the said competitors, and throws them and their co-working wage-receivers into the ranks of the unemployed, thus stultifying production and making an infernally chaotic muddle of a possible paradise. As I said before, I do not obscure the purpose of this pamphlet by discussing the wage question. I do not overlook the fact that the wage-receiver, in paying over his wages for the purchase of his commodity, receives a smaller portion of the commodity than his wage represents in actual production, but this is also true of salaries and all other classes of buyers, if a correct analysis is examined. It is only fair and scientific also to recognize the fact that a vast volume of "savings" or invested capital of employers is consumed by wage and salary receivers, during the progress of the 90 per cent bankrupts along the road to insolvency. That truth is not fairly appreciated in many discussions on the wage question. It is a significant fact that but for the constant inrush of new investors in the retail trade to supply the place of bankrupts the ranks of the unemployed would be much

deeper than they are to-day. If salary or wage-receivers, who, by true "abstinence," accumulate savings, were only sensible enough to "let well enough alone" and stop losing their savings in retail lotteries, then our present crazy *regime* would reach the end of its tether in double-quick time, simply from lack of food to keep the "Kilkenny Cats" going.

XIV.

The advent of the departmental retail store is a sign of the times which only the Socialist truly understands. The development of the departmental store system will frighten or warn the individual investor of savings out of the retail field in the near future, especially as electric cars feed the cities and larger towns from the outlying villages. Then the wholesale jobber will "wind up," and with him a host of small manufacturers.

With the small retailers, and jobbers, and small manufacturers crushed out, the idiotic nature of the profit phantasm will be less obscured than it is to-day by the constantly recruited army of new investors who maintain the present system at their own expense, by the loss of their capital. Society will not then tolerate its own lunacy any longer, and will (if it has not had the sense to do it sooner) quickly socialize the whole business of production and distribution, as now demanded by the collectivist programme of the International Socialist Labor Party, controlling it under municipal, county, state, provincial and national administration. Private enterprise and ambition is the source of political corruption and social chaos to-day. Such things will have nothing to live on under collective administration, when the fear of want is abolished for ever. Then production will not cease in any line of staples or luxury so long as a want is unsupplied. No true Socialist stoops to any such political blackguardism as Democrat and Republican, Grit and Tory, Liberal and Conservative, "Christian" politicians wallow in.

XV.

Having digressed somewhat, I return to the point of Rent and Interest.

Primary rent is that sum of money paid to landlords for use of land or premises consumed in production of raw materials and the manufacture of those materials into commodities. This expenditure is a part of the cost of manufacture, and is itemized in the price of the finished article, and no profit can be said to have been realized until that sum, paid to landlords as rent, is recovered from the market by sale of the commodity.

Secondary rent is the sum of money received as income by landlords for use of residences, property or buildings of any kind, paid for by expenditures out of primary or secondary incomes. All such rents being embodied in the incomes counted under their respective headings in the cost price, as wages, salary, etc., etc., are actually, though indirectly, a part of manufacturers' cost, as much as primary rent. The rent of opera houses, club rooms, professional offices, etc., are all secondary rents, derived from fractional expenditures from incomes that can be traced to primary items embodied in a manufacturer's cost price.

Hence it must be evident that the sum total of all rents cannot exceed the sum of the original items from which they are drawn, and landlords can supply no cash profits to the commodity exchanger in excess of cost.

Henry George would wipe out the landlord. In that case he would also wipe out the income rent as a purchasing item on the other side of the counter. The result would be that the mercantile process would be on precisely the same footing as at present; demand price being still in excess of cost, and the "single tax" fraud would simply transfer the sum now paid to landlords into the pockets of profit mongers. There is no doubt that this evident fact is present to the mind of such manufacturing advocates of single tax as Tom L. Johnson, the U. S. Congressman.

For idiotic political economy, based on suppositions, without experience or demonstration, read "Progress and Poverty." I may further point out that single tax aims at placing the heaviest tax on the *central location*, which is always the *retail or distributing* district; leaving the manufacturer the soft end of the tax rate, and the big end of the capitalistic "profit"; while the retailer will still have to pay the owner of his store for the privilege of occupation in addition to his public tax. The nonsense talked about the future of wage-earners under a single tax "muddle" is a product of imagination.

XVI.

The same analysis applies to interest as to rent, also to bank discounts for mercantile accommodation paper.

Primary interest is the sum of money paid for loans to further raw material production or manufacturing purposes. No profit can be said to have been realized until items thus put in circulation are recovered from the market by sale of the finished article.

Secondary interest is an expenditure from primary or secondary income for personal loans or other purposes, and is therefore also embodied in cost of manufacture. Hence all interest, and all discounts, as also all rent, is embodied directly or indirectly in the cost price of a marketed commodity, and the whole money loaning and banking community cannot present a purchasing power in excess of their incomes to supply the demand for "net profit." *That demand is met by the bankruptcy of 90 per cent. of investors*, and the army of the unemployed robbed of their share of nature's free provision.

XVII.

The incomes of all Government officials from the Queen, the Emperor, the President, the Premier, down to the letter carrier, as also the rank and file of the army and navy, are all included in the cost price of a commodity. All such incomes are derived by taxation assessed on primary or secondary incomes of other classes, or by tariffs, etc., embodied in the market cost price of commodities.

The incomes of the clergy, doctors, lawyers, scientists, artists, poets, entertainers, literary men and women, menials, etc., are all more or less if not wholly *secondary*, being drawn largely from each other's receipts, and all primarily derived from expenditures for various professional services on the part of primary incomes received in form of rent, interest, wages, salary, etc. The permanent security of all these professional classes is threatened by the manufacturing *absorption of "profits" and the growing army of unemployed*. The same principles of primary and secondary analysis apply to insurance and transportation, as applied to rent and interest.

The sum total of incomes cannot rise above the level of their source, which is the money in circulation as the cost price or financial counterpart of a manufactured commodity. Hence I repeat again that *net profit* is an unrealizable phantasm, and that the sum of money which individuals realize under that name to-day is an unearned misappropriation of a fellow creature's products, responsible for stoppage of production, mercantile bankruptcy, social chaos and domestic misery.

The perpetuation of such a Pagan and unscientific mercantile policy stinks in the nostrils of Almighty God, its overthrow is decreed, and with it the abolition of poverty, thus securing the permanent emancipation of the wage-receiver and society in general.

XVIII.

It may be well to emphasize again the fact that all incomes (of all classes) are finally paid in commodities, and that money is only the shadow of which the commodity is the substance. In other words, money incomes result from a collective* method of manufacture with sub-division of labor as its "mode," and, in view of the impossibility of sub-dividing the commodity which results from collective energy, money is used as the medium of exchange, representing the temporary form of that share of the total sum of commodities which each individual has contributed and shall receive.

*Note that collectivist manufacture is under our nose to-day, but with individual misappropriation of the product.

This fact is nominally admitted by the orthodox economists, and yet, at the same time, the logical conclusion to which the admission must lead is totally ignored, viz., that if money is simply the temporary equivalent form of the commodity income, then the sum of money incomes and the sum of the money price of the commodity must be equal exactly, and in such case a realization of cash profit in finally exchanging the commodities for money is utterly impossible. The history of mercantile bankruptcy proves the criminality of the Pagan policy of attempting to realize profit. Damnation is the verdict of eternal law. The development of social (or collective) life saw the introduction of money in response to a demand for some method of transferring values, (viz., the right of claim to commodities) in a less cumbersome and less laborious form, than the system of barter of commodity for commodity by direct exchange in the open market. It was an undeveloped mercantile era, yet, notwithstanding the absence of an easy medium of exchange, there was *not an absence of a standard of values*. Values were always fairly equitable (infinitely more so than under the gold standard) on the basis of time and intensity of labor, which is the only true standard of economic value. The demand of the age was rather for a medium of exchange than for a new standard of values.

Not more fatal to the happiness of the human race was the day when Adam and Eve responded to the promptings of the mythological serpent, than was the day when the Pagan financiers of a crude age threw overboard their natural and time honored standard of values, and added to the duties of their adopted medium of exchange, the function of acting also as a standard of values to all other commodities.

It was an inspiration from Hades, well calculated to defeat the Divine purpose in industrial development, concealing under the cloak of a money exchange system the forked sting of a poisonous error in the policy of profits, rather than a purer form of the original equitable barter of time service for time service.

XIX.

With due respect to the "Anglo Israel" doctrine, the worship of the golden calf has been a characteristic of the blasphemous infidelity of the modern Israelite in his wandering through the economic wilderness; and he is not a modern Moses* who agitates for the substitution of a bi-metallic pair of twins for the single beast. There is absolutely no remedy in compromise,—that damnable doctrine of the Nicolaitanes. *If there is any one thing which the philosophy of Jesus demands of a Christian it is that he shall make no compromise with evil.* God's eternal law of truth in economic administration demands nothing less than the utter pulverization of the metal heresy as an abomination and author of social confusion. This is no rhetoric. It is a solid fact. Gold and silver are not and cannot be standards of value, and the works that have been written to defend them are on a par with the works expounding the scientific correctness of the Ptolemaic astronomy previous to the advent of Galileo.

The solar system did not go to pieces when men gave up their fallacies concerning its economy; neither will the mercantile world go up in the blue smoke of chaos, when sensible men give up their antiquated fallacies regarding gold and silver impediments to progress. The commerce of the world depends not on gold and silver but on individual needs and demand for commodities; and the supply of that demand depends not on gold and silver, but on the capacity of machinery in control of human intelligence to form the commodities out of limitless *free* raw material. A common-sense political administration, guided by correct knowledge of the laws of distribution, will not rob the rich, but will enrich the poor; instead of robbing the poor as to-day. There is a modern application to the words, "Oh ye of little faith." Try the Socialist or Collectivist administration, and see if it be of God or of the Devil. "Where there is a will there is a way," and I was once informed by my employer that there was no such word as can't or cannot. One thing at any rate is absolutely

*In the President campaign in the United States, in 1895, W. J. Bryan did not give evidence that he understands the money question. Neither did Bourke Cochrane, the stump orator of the Gold Party.

certain ; scientific law is in operation to wind up the existing administration, and if any notice is to be taken of God in history, God has never scrupled to freely shed the blood of those who opposed themselves to the manifest laws of progress.

XX.

I submit the following examples to illustrate my claim that the sum total of primary incomes is simply the money counterpart of the functions embodied in and making up the cost price of manufactured commodities, and that net profit having no substantial counterpart in the money market is positive robbery, or *mis-appropriation legalized*.

It will be borne in mind by the reader that the presence of the items rent and interest, as used in these examples, is only tolerated on account of their substantial presence in existing mal-administration. Both of these extractions from the product of honest mental and muscular energy are relics of Pagan relationships, and neither rent or interest have any basis in equity. The cost of maintenance of property is not rent ; neither is the cost of running a financial department interest. Only the sum received in excess of these expenditures is true rent or interest, and both items will be wiped out of the list of personal incomes in future as unscientific and incompatible with good government, or the permanence of a social organism.

EXAMPLE I—(*Primary Incomes*.)

My first example discovers the factors embodied in the form of a finished commodity. In other words I analyze a commodity and find it is made up of the following constituents :

1. Land ; premises.
2. Money ; capital (if borrowed).
3. Raw materials.
4. Superintendence.
5. Labor (manual or skilled).
6. Transportation.
7. Insurance.

It will be well understood that money incomes are received by the persons representing the factors 1, 2, 3, 4, 5, 6, 7, only on condition that they hand over (or part with) their property, materials, or services to the manufacturer, who in exchange for the money counterpart retains the values so handed over until the finished commodity, ready for the market, issues forth as the material embodiment or substantial representative of the collective efforts of the seven classes. Money is, therefore, never in the same hands as the components of the commodity. These cancel each other in the act of exchange; money being of itself nothing but an equivalent expression of the share each party or class contributed to the production of the article.

The commodity being completed, it is put into the market to recover the sum of its cost, thus completing its mission by being consumed, and the process of reproduction is rendered possible by a recovery of the medium of exchange. To summarize, if

1. The landlord receives rent, the manufacturer receives the use of property.
2. The banker receives interest, the manufacturer receives the use of borrowed money.
3. The producer receives cash price, the manufacturer receives the raw materials.
4. The management receives salary, the manufacturer receives labor of superintendence.
5. The worker receives wages, the manufacturer receives the use of labor.
6. The railway company receives freight rates, the manufacturer receives the use of transportation equipment.
7. *The insurance company receives premiums, the manufacturer receives the value of security against loss.

By examining this summary further it will be found to reveal not only *the seven factors* which are brought into *collective* relationship by the process of manufacture, and result in a commodity, but we

*I am inclined to think that I ought not to have included insurance as a primary factor, but will let it pass to stand the test of criticism.

also discover *seven individuals or classes* as human representatives of the seven factors; and we further discover *seven money incomes* accruing to these human representatives as the financial equivalent for their functions embodied in the mercantile product, thus constructed by a sub-division of labor. The analysis discovers them as follows, viz. :

Seven Items or Factors in Cost.	Primary Classes or Human Representatives.	Primary Incomes as Financial Equivalents to Services Rendered.
1. Landed Property or Premises...	Lan ^d lords.....	1. Rent.
2. Money Capital.....	Bankers or Money Lenders.....	2. Interest.
3. Raw Materials.....	*Producers of Raw Materials....	3. Price of Materials.
4. Labor of Superintendence.....	Managing Supervisors.....	4. Salaries.
5. Manual or Skilled Labor.....	Manual and Skilled Workers.....	5. Wages.
6. Transportation.....	Railway and Ocean Carriers.....	6. Freight Rates.
7. Insurance.....	Insurance Agents and Staff.....	7. Premiums.

*Farmers, Miners, Fishers, Lumbermen.

It will readily be understood that the stockholders in banks, railways, vessels (lakes or ocean), insurance companies, mines, etc., receive no dividends on their shares, except by extraction from the incomes above enumerated.

I claim that the sum of the money put into circulation as the total financial resources or purchasing power of the seven primary classes cannot exceed, *but originates in* and is precisely equal to cost price of the commodities.

XXI.

EXAMPLE 2—*Secondary Incomes.*

With the development of the social organism, which finds its origin in the social or collective (sub-division of labor) system of production of the necessaries and luxuries for purposes of consumption in daily life, there gradually evolves a *secondary group of classes* in the community, who take no positive or direct part in the industrial process, which is the primary essential to their own existence; yet these participate indirectly.

These secondary classes exist by virtue of receiving financial equivalents to commodity incomes derived solely from *the money expenditures of the recipients of primary incomes.* These sums expended

by the individual members of the seven primary classes (see Example 1); are the financial equivalents exchanged for governmental and professional services; the members of these latter (or secondary classes) being *to the extent of their incomes the ultimate redeemers of that proportion of the manufactured commodity* in place of the original and primary producer, who has relinquished that portion of his financial counterpart to the commodity as compensation for the services he has preferred to utilize.

These secondary groups may be analyzed into Class A and Class B, as follows:

CLASS A (Professional Group).

1. Clergy (and all engaged in philanthropic work).
2. Medical.
3. Legal.
4. Literary.
5. Entertainers.
6. Artists.
7. Retail Merchants.
8. Barbers, etc.
9. Menials.
10. Tramps.

CLASS B (Governmental Group).

1. Queen, King, Emperor or President.
2. Judiciary and High Officials.
3. Civil Service.
4. Army.
5. Navy.
6. Police.
7. Municipal Employees, etc.

Class B derive incomes raised by a process of taxation; extracting not only from the seven primary (industrial) classes, but also from Class A in the secondary group.

Class A derive incomes not only from the seven primary classes direct, but also from Class B in the secondary group, and also by an interchange of services among the various groups in their own Class A.

The fact remains undisturbed by this further examination, that *the sum total of the money incomes of all classes, from Queen to tramp, does not exceed, but originates in and is exactly equivalent to the sum of the money cost of manufactured commodities, (see Example 1) and the commodity is in reality the substantial ultimate income.* There is no such possibility as making "profit" by exchange.

There may be some touch of grim satire in classing "tramps" with the professionals. That group is, however, a permanent institution as long as existing practice is retained; and the "tramp" cannot be placed in either the industrial or governmental groups.

Being "unemployed," he might legitimately be included in group 1 or group 2 of the seven primary classes, but for the fact that hereditary stupidity on the part of society as a whole does not permit him to draw either "rent" or "interest" for his participation (?) in the industrial process. Being unemployed is not of itself a misfortune, as is evident from the fact that their economic relations to manufacture, oblige us to place groups 1 and 2 of the primary classes (see Example 1) in the "Industrial" (?) classification rather than in the professional unemployed denomination.

XXII.

A further thoughtful review of Examples 1 and 2 will reveal the fact that not a single individual in the population comprising the secondary classes, viz.: groups A and B, is positively engaged in the direct processes connected with manufacture of commodities. Hence it follows that so far as the productive capacity of individuals is concerned, the industrial energies of the five groups (Nos. 3, 4, 5, 6, 7) in Example 1 are equal to the task of supplying all the vast mass of commodities consumed, not only by themselves, but also in the feeding, clothing, housing, furnishing and transporting of the whole community, and also stocking warehouses and stores with an unsold "over-produced" balance.

If this is the result of the productive energies of these five active groups in the primary classes, what is the rational explanation for the poverty of the "masses" and the bankruptcy of the retailer?

Is it owing to a scarcity of raw material? No.

Is it owing to a scarcity of machinery to work up the materials? No.

Is it owing to a scarcity of the "masses" themselves to manipulate the machines and to form products? No.

The only components in any form of wealth are raw-materials and human energy. Why then is poverty present in mercantile civilization?

Poverty is a product of a criminal financial blunder in fixing the selling price of commodities above cost.

It is evident that if the manufacturer (who retains the services and materials handed over to him by the seven primary classes, until their final amalgamation in the commodity is complete,) was to offer the finished article direct to the seven representative individuals, for consumption, at a money price in excess of the sum of their total money holdings, the absurdity of the demand and the scientific barrier to its achievement would be so self-evident that one experiment would end the existence of the profit-accumulating idea.

The mere fact that a temporary intermediate stage in the evolution of mercantile exchange has developed the wholesale jobber and retail storekeeper, who invests his hereditary fortune, or personal savings* in the commodity, and contracts per invoice to do, at his own risk, what the manufacturer could not himself do by direct exchange with the consumer, does not in any sense lessen the absurdity of the economic problem. The wholesale and retail buyer, (note the word *buyer*, not producer,) increases the amount of money in circulation by the sum of his *original investment only*, and since his calculation is to realize the return of this full sum with an additional sum in the name of "profit" on that investment, *the real difficulty of the economic situation is actually increased by the advance of price one notch higher above the level of the available public income.*

In the light of this arithmetical barrier to the purchase of the commodity, it surely is only natural that the whole of it cannot be sold, and that the holder of the unsold portion finds himself indebted for a sum which he *cannot* realize. Hence anxiety, bankruptcy, poverty, crime, all the inevitable outcome of a policy which on intelligent investigation exhibits not even the shadow of one solitary

*To save extended analysis in this pamphlet I assume the existence of past savings without going into their origin.

redeeming point to plead for its retention in an enlightened country. "Profit" means poverty, stopping exchange, and preventing the re-production of wealth. Profit is a "Will o' the Wisp," luring 90 per cent. of those who chase it into the "bog," a veritable "slough of despond." The actual fact is that the investments of the wholesale and retail "buyers" are the constantly renewed props of the present iniquitous system, feeding by the sacrifices of their investments the "profits" devouring 5 to 10 per cent, and hiding the real nature of the mercantile economy.

The rapidity of the process of manufacture and transportation decides the speed with which exchange or turnover can be effected. With each turnover the absorption of more floating (or invested) capital is effected by the successful 5 to 10 per cent., and a crisis of bankruptcy recurs. Hence it can be understood why the era of machinery (rapid production) is also the era of rapidly recurring mercantile crisis. Each industrial cycle, or turnover, absorbs more "profit" and makes the situation worse by contracting the area of possibility to sell, until the situation becomes chronic, and revolution is developed by God inspired resentment. Magnificent possibilities of limitless wealth, mercantile stability, and social and domestic happiness, are sacrificed to idols and the false god Profit. Great must be "the fall thereof." To illustrate the process by which mercantile exchange in modern civilization is conducted, we will examine a few further examples.

XXIII.

EXAMPLE 3.

This example will assume the existence of the typical manufacturer, and the existence of the seven representatives of the primary classes only (see Example 1); previous to recognizing the secondary classes, and wholesale and retail distributors, whose evolution do not in any sense alter the nature of the exchange, but really obscure the inherent absurdity of *selling* for money, instead of *exchanging* for money (two totally different ideals).

Let us suppose that the business of the manufacturer in Example 1 is that of baker, and that eight loaves of bread is the product of the collective services of the seven individuals in conjunction with himself. Assuming that one loaf represents the proportion of the product due to his own labors, the baker holds the seven as the product or share of the other contributors to the process, who have temporarily accepted the money expression of their claim on the loaves in the meantime.

The baker arrives at the price, or money cost, of these seven loaves, by the very simple process of book-keeping; entering the items of expenditure as he pays them out, and finally totalling up the sum in circulation for the factors embodied in the finished article. At this point the market situation is as follows, viz.:

Commodities in hands of manufacturer.....	7
Items of money expended in cost of production.....	7
Number of purchasing consumers and contributors to product.....	7*
Total items of money in circulation, as incomes, and counterpart to product.....	7

There is only one natural and equitable process by which sale of these seven loaves can be effected, and full purchase completed; consumption made equivalent in volume to production, and the conditions for reproduction evolved. That is, by an exchange of the loaves for the money on the basis of cost price, each receiving bread in proportion to his contribution to its manufacture. (Suppose that next season some machinery is introduced into the process, so that fourteen loaves are evolved instead of seven, it will simply mean that each man is wealthier by double his original product; the mercantile basis of exchange remaining the same.)

Assuming that the money used in this illustration is of the same denomination as now current, we have this result, viz.:

Cost of bread.....	\$7 00		Purchasing power of public..	\$7 00
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*It will be noticed that all classes, both "upper" and "lower" are here included.

Or in terms of ledger account the sale transaction would be as follows :

IN ACCOUNT WITH PUBLIC.

Feb. 1st, 1897.	DR.	Feb. 1st, 1897.	CR.
To seven loaves bread.....	\$7 00	By Cash—	
		Per Landlord.....	} \$7 00
		“ Banker.....	
		“ Farmer.....	
		“ Superintendent....	
		“ Laborer.....	
		“ Railway Co.....	
		“ Insurance Agent....	

Leaving a clean sheet, with no profit and none necessary ; no overproduction or surplus stock, no bankrupt, no unemployed, as the conditions for reproduction are fulfilled, and all stock sold, or in more correct phraseology, exchanged.

XXIV.

Now, it by no means is necessary to assume that each of the seven persons in this illustration is holding an equal sum of money with his co-workers, or that each will be able to purchase only an equal proportion of bread.

The opponents of collective ownership of the machinery of production and distribution do not understand their own economic practice, much less do they understand the symmetrical harmony of a social or collective administration as demanded by the International Socialist. The “dead-level equality” idea is a product of unscientific imagination, and is no essential attachment to a social economy which abolishes poverty.

The most important point in the above example, is the fact that the total sum of money in circulation is exactly equivalent to the cost of production ; and the profit cannot be realized by an equitable transaction between the parties making exchange.

The proportions of the total sum of products contributed by

each individual may not be equal, and the amount of money equivalent held by each will vary according to ability and capacity.

A discussion of individual merits is totally outside the range of the present enquiry as to the nature of profit realized in money form by the orthodox mode. The existing practice, developed with the "profit heresy" from Pagan antecedents, appears to award money incomes in inverse proportion to the expenditure of productive energy. That fact does not afford any explanation to the problem now seeking solution, viz.: extraction from the market of *net profit*, or an excess above cost.

Equity does not mean Equality in the popular sense. Neither does equity involve so irrational a system of distribution irrespective of capacity to either produce or consume, as is pictured by Edward Bellamy in "Looking Backward" (chapter IX). To quote Dr. Leete, "In the 19th century, when a horse pulled a heavier load, than a goat, I suppose you rewarded him. Now, we should have whipped him soundly if he had not, on the ground that being much stronger, he ought to." Edward Bellamy in this chapter argues through Dr. Leete that exactly equal income must be awarded the goat as the horse, because he has done his best as far as natural endowment permits him; and therefore as the horse cannot do more, from an ethical standard the horse shall receive no more food (reward or income) than the goat.

There is nothing sensible, or equitable, or in accord with ethical law in this sophism. To limit the horse to the rations of the goat is simply idiotic; to surfeit the goat with the provisions requisite for a horse is equally idiotic. Such an irrational economy in regard to incomes would mean extermination for both goat and horse, and the Socialist Labor Party is not so foolish in its suggestion. In accord with the law of truth in economics, and in perfect accord with the gospel of Jesus, the S. L. P. demands the inauguration of a mercantile administration that shall establish *equity* in place of the Pagan "chaos" now supported by the "pillars of the Church" and "the powers that be."

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The distinctive characteristic of the socialist is that he is an *economic revolutionist*. The appellation "*Christian*" tacked on to distinguish the orthodox from the unorthodox or heterodox exponent and worshipper of truth, is a trade mark to distinguish those who seem to apologize for their appearance in the economic sphere, from those whose religion teaches them to demand economic revolution without apology. It may be a distinguishing characteristic of the man who "thanks God he is not as this other man."

An economic programme which is in accord with scientific laws is independent of such petty and unworthy sectional partyism. The spirit that declines fellowship and active political association with fellow advocates of truth because they do not accept a discredited orthodoxy, is not by any means worthy the name Christian, and if an individual life cannot distinguish itself from heterodox surroundings without a prefix to its title, that prefix should be "Pharisee" rather than Christian.

If we take the standard raised by the Son of God nineteen centuries since, it is certain that the "heterodox" are truer types of Jesus than orthodox adherents to traditional errors. "The doctrine of the Nicolaitaines is a thing I hate."

XXV.

EXAMPLE 4.

Now let us imagine the first transaction completed and the loaves consumed on the basis of equitable barter, while "everything is lovely" in the process of reproduction, until our typical manufacturer, one fine morning strolling around his garden, is slowly confronted by a wily Edenic "serpent," who suggests to his imagination that he runs a big risk in this business arrangement that is not shared by his co-workers. The ingenious reasoning by which the man is eventually deceived into accepting this nonsense, proves successful in its purpose of destroying the scientific plans of a beneficent Deity, and under inspiration from Hades our baker decides on concocting a plan by means of which he thinks to gain

"*compensation for risk*" or, in truth, to disorganize mercantile and social relationships.

This scheme, in defiance of the laws of exchange, is the very simple process of raising selling price above cost. The process of reproducing bread, being complete, the market situation is also reproduced, viz. :

In Hands of Baker as Pro- duct of Co-Workers.	.....	Expenditure of Temporary Money Equivalents, or Cost of Production.	.....	Purchasing Power, or Cash Holdings of Consuming Public.	.....
7 loaves.		\$7 00		\$7 00	

The terms of exchange are not now, however, to be the same as before, our baker's demand, or selling price, now being made up of two divisions, viz., cost and *profit*. The market is now in this shape :

Cost.....	\$7 00	Purchasing equivalent to cost..	\$7 00
Profit.....	1 00	Purchasing equivalent to profit.	Nil.
	— Price, \$8 00	Consuming capacity of all classes, total.....	\$7 00

In terms of book keeping the ledger, etc., shows entry as follows :

IN ACCOUNT WITH PUBLIC.

Feb. 2, 1897. DR.	Feb. 2, 1897. CR.
To 7 loaves bread.....	By cash.....
\$8 00	\$7 00
Feb. 3, 1897.	Balance due.....
To balance due.....	1 00
1 00	\$8 00

Result, is an unpaid liability on the part of the buyer of the commodity. Regarding risk, it is quite evident that the parties who entrusted their services and materials to the temporary custody of the baker, *ran all the risk involved* in trusting to his honesty, and they also sustained all the loss entailed in the process of exchange on such a basis. *Cash profit has not yet, however, been realized.*

I would note here that the only change which would occur in the above situation, under the administration of Henry George, would be to eliminate the landlord (in Example 1) as a factor in cost of production. It will suggest itself to any intelligent thinker that to

eliminate the landlord as a purchaser by cancelling rent, leaves the Dr. and Cr. account balanced, and the only change necessary in the example under that "mares nest" single tax, would be to quote

Cost.....	\$6 00	Purchasing Equivalent to Cost.	\$6 00
Profit.....	1 00	" " Profit.	Nil
	<hr/>		<hr/>
Price.....	\$7 00	The consuming power of all	
		classes.....	\$6 00

Result, a distinction with a difference in favor of the profit monger.

XXVI.

EXAMPLE 5.

Let us examine the situation in view of the practice of "economy" or "saving" so stupidly advocated by those who know nothing of economic laws.

Remembering that money is nothing but an exchange medium, which has no origin outside the production of commodities, it must follow that for the money receiver to hoard, or save, must *force the commodity holder* to hoard or save against his desires exactly that proportion of the article which the money saving represents. Thus a money fortune means a glutted market and discharged employees.

Returning to Examples 1 and 4 we will assume that the landlord, the banker, the supervisor and railway transporter, can manage to exist very comfortably on the bread they can purchase without expending all their money, and they save between them a sum equal to \$1. Let us further assume that the baker does not sell on credit, but parts only with so much bread as is proportionate to the money offered in purchase.

The market situation now is as follows :

Seven Loaves of Bread—Price.....	\$8 00
Available consuming or purchasing capacity of public	\$7 00
Less savings.....	1 00
	<hr/>
	\$6 00

The ledger entry will snow as follows, viz :

IN ACCOUNT WITH PUBLIC.

<p>Feb. 4, 1897. DR.</p> <p>To sales—</p> <p style="padding-left: 2em;">$\frac{3}{4}$ths of 7 loaves bread...\$6 00</p> <p>Feb. 5, 1897.</p> <p>To stock on hand and not sold—</p> <p style="padding-left: 2em;">$\frac{1}{4}$th of 7 loaves = 25 per cent. of yesterday's product, and no available cash to purchase it.</p>	<p>Feb. 4, 1897. CR.</p> <p>By cash.....\$6 00</p>
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Results may be tabulated as follows:

- (a) "Surplus" or "overproduction" and "glutted market," owing to the two fallacies:
 1. Savings.
 2. Raising price above cost.
- (b) "Restriction of future output." Only 75 per cent. of last product having been sold, and 25 per cent. being on market, our "business" baker estimates that it will be safe only to reproduce 50 per cent. of last output to come out even on next transaction.
- (c) Discharge of employees; reduced demand for raw materials; reduced business for transportation company; sum of money capital laying idle; less insurance.
- (d) All purchasers on last transaction received in exchange for their money a smaller share of the product than was equated to their money incomes for factorship in process of manufacture.
- (e) The saving of money by one class has actually resulted in poverty and distress to another class, under present administration.
- (f) The baker has a share of the produce of his co-workers on his hands in addition to the loaf retained as his reward for personal labors (See Example 3), also has recovered his floating capital, minus \$1 saved.

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.....\$8 00
.....\$7 00
..... 1 00
\$6 00

- (g) The social and domestic life of all classes is influenced by above transaction.
- (h) All professional classes depending for incomes on the industrial process are necessarily crippled and impoverished by above practice in commerce, and should lend their energy to an overthrow of the vicious system.

Moral lessons suggested here are :

1. The seven co-workers with the baker in the production of bread *took all the risk* involved in the "business," and *sustained all the actual loss*.
2. The "individual" baker's right of private ownership and control of the bread which was the product of "collective" association in manufacture, is utterly inconsistent with scientific law in economics; utterly inconsistent with ethical law in personal relationships; destructive to mercantile stability, and the rock-bottom foundation of social and domestic chaos.
3. The *legal* right to claim *private ownership* of the bread, which is clearly the product of *collective association*, was derived by the baker solely from the sanction of the seven classes themselves in legislative assembly; hence the political organization of this society can lay no claims to respect for its intelligence.
4. The remedy to the situation lies in the legislative administration of the people themselves, guided by correct intelligence on economic lines; not by simply raising wages and therefore cost, and shortening hours of labor, which *when gained are absolutely without remedy for the situation*, but by claiming control of the machinery of production and distribution of the product, which solves the whole problem, and is in the truest interest of every class in the community.

XXVII.

The limits of this present essay will not permit me to continue the illustrations on this line. I have suggested enough to point the way for readers to follow the line of analysis to its practical conclusion. Any thoughtful man with a practical mercantile experience will soon realize that each "turnover" on this basis leads to "worse instead of better," for an ever increasing majority.

The utter impossibility of realizing *cash profits* from consumers by a process of direct dealing ought to be apparent without argument.

So far, the examples given show that the only result of the stupid and un-business-like policy of raising selling price above cost has been to "glut the market" with the unsold products of past energy; to impoverish the general public; to withdraw money from circulation; and stop reproduction by "restricting output," the profit-seeking baker being "boss" of the situation with the consent of his foolish victims.

In Examples 3, 4, 5, I have not recognized the existence of the professional and governmental classes, because, as previously pointed out, their evolution makes absolutely no difference to the *arithmetical* problem, and owing to the fact that the total purchasing capacity of all these classes is simply an abstraction from the money incomes or purchasing capacity of the primary industrial classes, it positively obscures the perception of the untrained student to recognize their presence in the elementary examples. It is indeed a fact that in daily practice the real nature of the "clog" to the smooth running of the mercantile machine is obscured by the multitudinous subdivisions of groups and classes, and the orthodox economists have failed to dissect the social organism correctly, thus properly relating cause and effect.

A loaf of bread neither gains nor loses in quantity by the process of carving up into many sub-divisions for circulation around the family table; and so it is with the sum of commodities, or the sum of money; they cannot increase or produce *net profit* by the act of distribution, no matter how ingenious the circulating medium.

Money is absolutely nothing but an equivalent form, the "shadow" of the commodity from which it derives its origin ; and it cannot "breed" net profits. The Rothschilds, Pullmans, Rockerfellers, Carnegies, *et al.*, are in the wholesale absorption (or mis-appropriation) business, under the legal consent of their victims.

It will be noticed that our baker has not yet been successful in realizing *cash* profits.* If the reasoning of Karl Marx in "Capital" is correct it would have been possible to have sold out his product at the advanced price, and realize the demand for \$8.00. Such a result is an utter impossibility. "Surplus value" cannot be "created," and there is yet no fund discovered from which cash profit can be extracted.

I propose now to show the nature of *cash profit*, and explain the mercantile process by which "wreckers" absorb the plunder they secure by steering the social craft on to the rocks and shoals of bankruptcy, anxiety and suffering indescribable.

XXVIII.

In Examples 3, 4 and 5, each primary class is correctly represented by one typical individual. The fact that each class is actually sub-divided into thousands or millions of "molecules" or separate personalities, does not make the slightest particle of difference to the economic relation of class to class, or of total *cost price* of commodities, to total *cash incomes* (or total sum of money in circulation for exchange medium).

When the economist takes a large metropolitan city for purposes of experimental study, selecting, say London, Berlin, or Paris, in Europe ; or New York, Chicago, Montreal, or Toronto, in North America ; he will find that he can take every single individual in the

*Students of "Capital" (Humbolt Edition, page 109) may consider the yarn manufacture in place of the baker in these examples, and will find that until a fellow baker or fellow yarn manufacturer enters the field as a contemporary commodity producer and money circulator, there will be no such result as stated by Marx, viz. : "27 shillings have been transformed into 30 shillings." ... "The trick has at last succeeded, money has been converted into capital." I do not at all conflict with the programme of the Socialist Labor Party, for collective control of the machinery of production and distribution when I take decided stand in opposition to the Marx theory of "Surplus Value," and say that no such trick as creating a surplus value of 3 shillings was ever yet accomplished by an extraction from wage-receivers as a class differentiated from other income receiving classes.

population of that city, and, having previously arranged a separate building for the accommodation of the members of each of the various industrial, professional and Governmental groups that are classified in Examples 1 and 2, he can take each separate personality in that city, and correctly place him or her into one or other of these buildings until the whole of the population is accounted for from Queen, Emperor or President, to "professional tramp." As the economic relation of group to group is precisely the same as individual relations, the economic principle is embodied in the typical representative.

The fact that each class is sub-divided into different personalities, while not making any difference to relation of total cost, as compared with total money equivalent or purchasing power, *does, however, make a vast and vital difference to the results accruing* from the policy of the manufacturer and merchant in raising selling price above cost. And it is in the sub division of the manufacturer into contemporaries that I discover *the source of individual profit accumulation* by absorption of a neighbor's invested capital. Retaining the basis of cost as arrived at in Example 3, we will assume \$7.00 to be the cost price of each different form of commodity recognized in the following illustration.

In place of our solitary baker in the business we will now consider ten different manufacturers, viz :

	Money Cost of Product Offered for Sale.	Demand or Selling Price.	Cash in Circulation or Money Purchas- ing Power of all Classes.
Baker.....	\$7 00	\$8 00	\$7 00
Grocer.....	7 00	8 00	7 00
Dry Goods.....	7 00	8 00	7 00
Shoes.....	7 00	8 00	7 00
Clothing.....	7 00	8 00	7 00
Yarn.....	7 00	8 00	7 00
Stationery.....	7 00	8 00	7 00
Hardware.....	7 00	8 00	7 00
Machines.....	7 00	8 00	7 00
Jewellery.....	7 00	8 00	7 00
Totals.....	\$70 00	\$80 00	\$70 00

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How in the name of common arithmetic can \$80 be collected from \$70? The trick has never succeeded. It never will succeed, simply because it *cannot*.

All of these ten "business" men being inspired with the same erroneous doctrine (which they have been persuaded by ingenious sophistry to regard as endorsed by the disciplinary providence of God) simultaneously pursue the same mercantile policy of selling their various products for the most money they can realize on the exchange transaction, instead of sensibly exchanging their products with each other to harmonize their needs, and establish the basis for continued reproduction and permanent prosperity.

We will watch the results of profit seeking.

Assume first that five out of the ten traders have been successful in unloading their products and realizing the demand price. The following change will have taken place in the mercantile situation.

Absorbed from Circulation Profit.	Cost.		Cost of Products not yet Sold.		Demand or Selling Price.		Balance of Cash in Circulation.
\$1 00	\$7 00	Baker	....	..	....	..	....
1 00	7 00	Grocer	....	..	....	..	....
1 00	7 00	Dry Goods	....	..	....	..	....
1 00	7 00	Shoes	....	..	....	..	....
1 00	7 00	Clothing	....	..	....	..	....
....	....	Yarn	\$7 00	..	\$8 00	..	\$6 00
....	....	Stationery	7 00	..	8 00	..	6 00
....	....	Hardware	7 00	..	8 00	..	6 00
....	....	Machines	7 00	..	8 00	..	6 00
....	....	Jewellery	7 00	..	8 00	..	6 00
				
			\$35 00	..	\$40 00	..	\$30 00

The deficiency of \$5 in balance of purchasing power, compared to cost of balance of stock on market not yet sold, is accounted for by the presence of \$5 profits absorbed from circulation by the first sellers, and it will be noticed that the percentage of difference between demand price and purchasing power is now greater than at the start of the game.

XXX.

EXAMPLE 6 (Continued.)

Suppose that three of the remaining five traders also succeed in unloading their products, and withdrawing their demand price from circulation. The result is very significant and shows the following situation :

Absorbed from Circulation.		Cost of Product yet Unsold.	Demand or Selling Price.	Balance of Purchasing Power.
Profit.	Cost.			
\$1 00	\$7 00	Yarn	.... ..	....
1 00	7 00	Stationery	.... ..	....
1 00	7 00	Hardware	.... ..	....
....	....	Machines	\$7 00 ..	\$8 00 ..
....	....	Jewellery	7 00 ..	8 00 ..
			<hr/>	<hr/>
			\$14 00	\$16 00
				<hr/>
				\$6 00

If this result is arrived at *without the saving of one solitary copper* by either landlord, banker, farmer, railway company, or supervisor, imagine the economic result of "saving" the balance of \$6 from circulation, or any portion of it. No matter if the "economy" be practiced by upper or lower "crust," the business consequence is the same. Truly the expenditures of the Bradley-Martin class are "good for business." But more than that, the flaunting iniquity of such possibilities is fuel to the revolutionary fire, and fans the smouldering flame to discover the origin of such a disproportionate income, and roast it out of the social organism.

Here we succeed in discovering the only fund from which cash profits may be drawn. That fund is the invested or floating money capital of a fellow business man. It was arithmetically impossible for each of these ten men to succeed in "business," and failure is in no sense attributable to lack of ability in such cases. Bankruptcy includes anxiety, poverty, domestic distress, and loss of social status.

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Regarding social status and class distinctions on the American continent, the abolition of the profit fraud would smash the wedge that now splits society into upper and lower social strata. The above illustration proves positively that the unearned income of our upper classes measures the depths of the undeserved poverty of our so-called lower classes. The one is equated to the other. In Europe, social strata and former class distinctions developed under totally different historic conditions to the evolution of classes on the North American continent. Reasons that account for upper and lower classes in Europe as products of a past military and feudal organization of society, do not account for the existence of upper and lower classes in Canada and the United States. In the latter countries these Pagan manifestations have absolutely no historic basis, but the practice of the dishonest mercantile policy outlined in the above illustration* and the disgusting domestic products of the Canadian and United States political administrations up to date, are more discreditable to the American people than are similar manifestations in Europe to the European of to-day.

XXXI.

The under-mentioned results follow the first industrial cycle or business "turn-over" of the community in Example 6.

- (a) Net cash profit realized by absorbing a fellow trader's floating capital. †
- (b) Financial embarrassment of manufacturers unable to re-collect cost-price (without profit) for commodities in stock. One struggles on with diminished capital to "try again." The

*This sentence can also apply to the recent reconstruction of classified social strata in England, France, &c., in Europe.

†As a matter of fact, in England the successful manufacturers and merchants have been busy absorbing a mass of capital, which they found "ready-made," and a rich source of "surplus value," before trenching upon each other's investments. That "ready-made" capital was the wealth of the older landed aristocracy, which, contrary to the single-tax doctrine, is slipping through the fingers of the original landlords.

other is unable to "pull through," and sells out his stock *en bloc* to a fellow trader at "so much on the \$."

- (c) The trader who struggles on *cuts wages* and prices to help him in competition.
- (d) The trader who retires from business joins with his former employees to flood the labor market and compete for the positions of those who strike against the "cut."
- (e) The successful "profit absorbing" trader who purchased his retiring neighbors stock at "so much on the \$," realized thereby a further product which he *did not earn*, and begins to make it more interesting for his remaining neighbors by "slaughtering" below normal market price.
- (f) Those who originally entered into association on a normal basis of equivalents, are now divided into "upper" and "lower" classes; who neither practice equity or exchange equivalents, but *scramble for all they can secure*.

XXXII.

In Example 6 I have not recognized the existence of the wholesale jobber or retail merchant in the process of exchange. In Example 7 it will be seen that their participation in the "profit" seeking process, *under the present disorganized and chaotic administration*, adds another stumbling block to the "turn-over" of the commodities produced by the collectivity, while adding *no additional income* to the resources of the market.

Regarding the relation of the labors of wholesale and retail distribution to actual cost of the finished process of production ready for consumption, it is a strange and significant fact, that while the other classes participating in the direct mercantile process as primary income receivers, (see Example 1,) are all in receipt of actual purchasing money incomes from the manufacturer for their

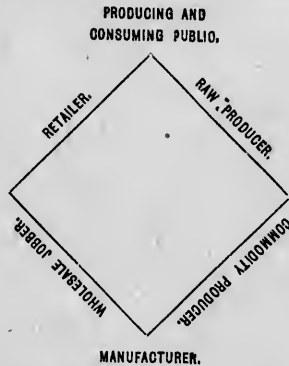
labors or services rendered in relation to the commodity, this is not the case in regard to the merchant distributor. The wholesale and retail traders depend (for income) entirely upon their chance of absorbing floating capital from the market; failing to succeed in accomplishing that aim, these gentlemen remain in the ranks of traders only so long a time as it takes for themselves and their competitors to eat up their original investment, thus giving their labors for nothing, with anxiety and bankruptcy as the reward of their "enterprise." A statistical record of 90 to 95 per cent. of failures is not to be wondered at. It is as natural a result of such an idiotic mercantile policy as our unenlightened "upper" classes have constructed, as that day shall follow night on the planet Earth under the solar system.

The Divinity of the origin of this commercial administration may surely be questioned without being irreverent to the Deity. I claim that the labors of wholesale and retail distribution are *actually allied to the function of transportation*, and are an unpaid continuation of the factorship in production represented by the railway and ocean freight distributors in Example 1. I believe I am correct in the statement that this suggestion is not embodied in any economic essay previously published. Under a Socialist administration the supervisors and associate workers in the labor of distribution will not be called upon to risk their "savings" in such an enterprise, but will be sure of equitable salaries, and be free to spend their "savings" in personal cultivation or enjoyment to their own taste, with no anxiety as to possible bankruptcy looming overhead to shadow their future.

While referring to this matter I would point out that all salaries, wages, rents, and other expenditures of retail merchants, if not paid at a loss from their original investment, can only be paid by first absorbing the funds from the market by extraction from the incomes of purchasers.

I submit the following diagram to illustrate my claim that the

wholesale and retail distributors are allied to transportation, and are an integral part of the primary industrial process :



This diamond represents the manufacturer as the point *towards* which the lines of raw material and commodity production lead ; and it also represents the manufacturer as the point *from* which the lines of wholesale and retail distribution start. The lines of the diamond represent ocean, inland water, railway and parcels delivery, transportation from the starting point of production to the finishing point of consumption. It will be noticed that both producing and consuming capacity focus at the one point.

XXXIII.

EXAMPLE 7.

In the following example I illustrate the result of a business "turn-over" or commercial "cycle," with the additional profit of the retailer added to the manufacturer's demand. In view of the fact that the money, circulated as an original investment by the retail merchant, is supposed to be recovered in full by himself with the added sum of "profits," it cannot be considered that this invested sum adds anything to purchasing capacity in the way of additional social income. Hence the same figures are used to represent the sum of cost price and of total purchasing capacity, as in Examples

4, 5 and 6. I will point out, however, that while not increasing social product, or adding anything to cost price or social income, the invested savings or fortunes of wholesale and retail buyers of manufactured commodities do increase the fund of floating capital from which "profits" may be absorbed by *successful sellers.

Following is an example in which I also assume an "economy" or *saving* of money income equal to one-quarter of a dollar out of every seven dollars income, (say about $3\frac{1}{2}$ per cent.):

	Cost of Product.	Manufacturer's Demand Price.	Retailer's Demand Price.	Total Purchasing Capacity of Public.	Assumed Savings of all Classes.	Available Purchasing Capacity.
Baker.....	\$7 00 ..	\$8 00 ..	\$9 00 ..	\$7 00 ..	\$0 25 ..	\$6 75
Grocer.....	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Dry Goods	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Shoes.....	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Clothing...	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Yarn.....	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Stationery.	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Hardware.	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Machines..	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Jewellery..	7 00 ..	8 00 ..	9 00 ..	7 00 ..	25 ..	6 75
Totals...	\$70 00 ..	\$80 00 ..	\$90 00 ..	\$70 00 ..	\$2 50 ..	\$67 50

In this example it will be noticed that the total advance in demand price above actual cost; (including manufacturers', jobbers, and retail profits) does not equal 30 per cent., yet the capacity of consumption to production is as $67\frac{1}{2}$ is to 90.

Mr. Edward Atkinson, a much quoted American statistician, of Boston, Mass., in a work entitled "The Industrial Progress of the Nation," makes the following statement, as the outcome of much study, viz.: "On the basis of the statistics compiled in recent years, it may soon be proved to be a rule or law of life that the power of mankind to consume the means of subsistence is limited, while on the other hand, the power of mankind to produce and distribute the means of subsistence is practically unlimited." In the "Prosperity" (?) Number of the "Engineering Magazine" for January, 1897, the

*It must not be overlooked (see foot-note to page 37) that for the purpose of this pamphlet I presuppose the existence of a fund of savings without going into an examination of their origin.

same author reiterates the above original theory. Mr. Atkinson does not say whether he bases his opinion on the results acquired from a study of the comparison between the productive versus consuming capacity of the Bradley-Martin millionaire or professional tramp type of "mankind." It seems to be fairly safe, however, to venture the assertion that this "eminent statistician," (considered to be one of the highest authorities in the United States,) has not, in his extensive research, yet come across a similar analysis to the above as an explanation of the peculiar phenomenon originally discovered by himself. It would, indeed, be strange, if under our present arithmetical policy the power of mankind to "consume," or (more correctly speaking *purchase*.) was equal to his ability to produce.

When we consider the *individual* instead of the *community*, we have no difficulty, however, in arriving at the opposite conclusion to Mr. Atkinson; since power to purchase when allied to opportunity, as in the case of millionaire "profit" absorbers, exhibits a human capacity to consume far in excess of the individual power to produce. The orthodox statistician has something yet to learn.

Returning to our example we find that when the "cycle" or *universal turn-over* is completed, the market situation is as below :*

Manufacturer Absorbed from Circulation.		Retailer Absorbed from Circulation.		Manufacturer's Outstanding Accounts Not Paid.	Retailers' Stock on Hand Not Yet Sold.	Balance of Available Cash in Circulation.
Profit.	Cost.	Profit.	Cost.			
\$1 00	\$7 00	..	\$1 00	\$8 00	Baker	.. .. .
1 00	7 00	..	1 00	8 00	Grocer	.. .. .
1 00	7 00	..	1 00	8 00	Dry Goods	.. .. .
1 00	7 00	..	1 00	8 00	Shoes	.. .. .
1 00	7 00	..	1 00	8 00	Clothing	.. .. .
1 00	7 00	..	1 00	8 00	Yarn	.. .. .
1 00	7 00	..	1 00	8 00	Stationery	.. .. .
<hr/>						
\$7 00	\$49 00	..	\$7 00	\$56 00	Hardware	\$8 00 .. \$9 00
....	....	..	....	....	Machinery	8 00 .. 9 00
....	....	..	....	....	Jewellery	8 00 .. 9 00 .. \$4 50
<hr/>						
\$56 00	..		\$63 00	Totals	\$24 00 .. \$27 00 .. \$4 50	

*If distributors are paid a primary income, in common with other factors in the industrial process, and then all products exchanged at "ppr," no such chaotic results can follow an industrial cycle.

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It will be understood that the \$56.00 received by these successful manufacturers is paid over by the successful retailers out of the sum \$63.00 ; and it will also be found that the \$4.50 left in circulation, added to the \$63.00 absorbed by seven out of these ten merchants, will exactly equal the original \$67.50 *available total* in circulation.

The commercial, social, and domestic results of this "turn-over" are the same as those described in Example 6, but intensified by the presence of the retail investor.

It is not difficult to work out the social results of the next turn-over of these increased "capitals." More bankrupts allied to bigger "capitals." Fewer capitalists and more wage-slaves ; restricted output and more tramps. Hades delighted and Heaven disgusted. Orthodox "false prophets" and heterodox "agitators" of God's truth. Divine resentment and revolution, peaceable revolution preferred, but force brought to bear against obstinate wrong if necessary.

The most peculiar and astonishing phase of our existing chaos is the stupidity of the general Anglo-Saxon public in regard to the purposes and values of political legislation regarding collective control of production and distribution. It must certainly be admitted that experience demonstrates the insecurity of private property under our existing mercantile policy, and the one certain result of collective administration of mercantile production and exchange would be a stable basis for security of private property such as no other form of administration can possibly establish. Orthodox critics of the International Socialist Party seem to possess "eyes that do not see," and "ears that do not hear" the truth. Like the ancient prisoner so long entombed in seclusion from the light of Heaven, they seem to dread the noonday sun, and know no joy at the prospect of release from long accustomed bondage.

XXXIV.

At this point I wish to attract attention to the fact that the Examples 6 and 7 illustrate the economic results of a commercial administration, in which there is no competition in any one branch of business. Each merchant in these Examples illustrates a "combine or trust," having absolute monopoly of the universal market in his particular line of product. To arrive at the economic results of a large or small number of competitors in any or each branch of production or distribution, it is only necessary to multiply the different figures affected, and you find *no change in the relation of totals*, or ultimate results of the universal turn-over. The question of Monopoly versus Competition is not fundamental, but incidental, so long as the "profit-seeking" policy is retained on the programme.

XXXV.

I also wish to attract attention to the fact that the problems of wages and hours of labor are distinctly separate from the problem of "profits." The wages question is a matter of apportioning the relative values of each factor in cost of production. The eight-hour day is a question of affording more or less leisure time to the laborer *who has an occupation*. The full programme of the old school British-American trade unionist could be achieved without making any absolute difference to the unemployed problem, which is a product of "profit" accumulation. The great problem of unemployed poverty is not grappled with by the pure and simple British-American trades union movement. The more recent trade union movements of the wage-receiving classes in Germany, France, Belgium, etc., and the "Socialist Trades and Labor Alliance" in the United States (recently organized), are far more intelligently directed. The members of these latter organizations are far better educated on economic truth, and the value of intelligent political solidarity, than their Anglo-Saxon contemporaries, and they aim, not at raising false issues and false hopes, but at sure and steady progress to complete and

permanent emancipation from the economic policy that condemns them to industrial slavery.

The old school British-American trade union policy is a product of unscientific reasoning. Professing to aim at the emancipation of the wage-receiving *class* from economic slavery, this movement, as represented by the existing British Trades Union Congress, and the American Federation of Labor, frames a platform and pursues a policy which is no more capable of emancipating the "lower" *classes* than is the programme of the manufacturers association. These organizations, pretending to hold aloof from politics, are misled and much victimized by officials who play into the hands of capitalist politicians and "fake" reformers, and "stump" against each other on opposite party platforms in general elections.* That kind of "emancipator" is not a characteristic of continental Socialist labor organizations, and the growth of International Socialist politics in England and the United States is destined to stamp out this "fakirism." Fear of exposure and loss of influence explains the attitude of the orthodox trade union leader to the Socialist school. In Canada there is no organization on the same basis as the British Trades Union Congress or the American Federation of Labor. The heterogeneous annual gathering, known as the "Trades and Labor Congress" of Canada, is a farce without either platform or policy,† and is principally engineered by old-line political party "hacks," some of the most prominent of whom appear to climb into prominence on the basis of bogus charters of a non-trade union character.§

As shown by action at Quebec, P. Q., 1896, (see report in Toronto "Globe," September 21st, 1896,) these "fakirs" dread the advent of intelligent Socialists "as the devil dreads Divinity."

So far as the genuine trade union movement is concerned, it is a perfectly legitimate organization, and has done much to protect the

*This was done in the Presidential campaign in the United States in 1896.

†The writer was a delegate to this "Congress" in 1895. See official report of "Eleventh Annual Session."

§See Ottawa "Tribune," November 14, 1896.

interests of those who can retain employment, but it has done nothing to hinder the steady increase of the number of unemployed; and it can do nothing to stop it. It has done nothing to emancipate the class from economic slavery. The wage question, and the "profit" question are two distinct problems; and the unemployed are "evolved" by the accumulation of profits, and the consequent accumulation of unsold stocks; with bankruptcy, restricted output, and poverty as sequels. To raise money wages under the present system of exchange, is simply to increase one of the items in cost (see Example 1) at the expense of some of the other factors, and in opposition to Ricardo and orthodox economists, this does not affect net profit; since profit is not a factor in cost at all. Hence the new trades union movement adopting the political programme of continental Socialists is the only intelligent organization of the wage receivers. It must not be forgotten that the economic result to individual manufacturers and merchants of a local raise in wages, is not in any sense typical of the general principle.

The results that follow from a commercial "turn-over" (as illustrated in Examples 6 and 7, in accord with universal practice) supply the market with every condition required to bring about the local reduction of wage scales, strikes, lockouts, and general revolutionary agitation for the restriction of the output of millionaire and pauper unemployed citizens.

XXXVI.

I have reached the limits assigned to the purpose of this pamphlet. If I have failed to convince a reader of the correctness of my argument, I think I have given him some new idea to think over, and those critics who undertake to prove that net profit has been, and can be realized by any other process than that I have outlined, will, I think, undertake a somewhat difficult task.*

*A test case for critics to examine will be the bicycle "boom" in 1896. If my argument is not correct, why should the "abnormal" profits of one industry disturb the receipts of other merchants.

I have only skimmed the surface of the problem here referred to, and the main object of the present pamphlet is to attract thought to the phase of the economic situation, which is here pointed out. If men do not think right, they are not likely to act right; and it being quite evident that men are not acting right, makes it a fair inference that they are not thinking right. Most men and women, whether orthodox or heterodox, agree in the statement that "something is radically wrong." What is it? and, who is responsible for the error? I do not believe in *inscrutable* mysteries. I believe in the instruction, "Seek and ye shall find." Of course there are none so blind as they who will not see, and unfortunately, it seems that there are many who would sacrifice the future of their own offspring to their own determination not to see that which calls for some effort on their own part to remove it from the path of progress.

I am thoroughly convinced that the designer of this planet did not initiate the economic policy now in vogue, as a disciplinary exercise for the human character. Men who found themselves environed by conditions they did not understand, and failed to correctly analyze, apparently deemed it necessary in the past to charge to the account of the Deity the result of their own ignorance, and hence we have a theology which finds it uncomfortable to recognize the truth. The fact seems to be evident that the laws of God are beautifully designed to ensure material prosperity and individual luxury, when mercantile exchange is based on the policy dictated by these laws. It is also evident that it is utterly impossible to realize the harmonious possibility by any other method than absolute obedience to those dictates.*

The Nicolaitane Policy of compromise to suit the convenience of Pagan practice is, and always has been, the fore-runner of certain disaster.

What is the economic law?

*Hence the attitude of the "no compromise" Socialists, represented by "The People," New York, is the God endorsed consistent policy, better calculated to secure ultimate permanent success than the "unholy alliance" represented by Eugene V. Debs on the Democratic platform in 1896, and also represented by the unholy alliance made by the orthodox church with the "ways of the wicked world."

It asserts the fact that when the evolution of the Social organism has reached the stage at which the commodity is a product of *collective or social energy* (see Example 1) as distinguished from the primitive stage of individual independent production, then the collectivity must control the product and its distribution, if success and permanent prosperity and stability is to be attained. It is not an assertion of sentiment, or a matter of preference, but a dictate of immutable law, which certainly cannot conflict with correct biological or physiological science, (? Herbert Spencer), that individual ownership and control of the machinery of collective production and distribution is utterly at variance with scientific requirements, wholly antagonistic to ethical law and destructive to "business" stability, disorganizing the mechanism of exchange, and breeding civil and international strife. There are great possibilities open to the administrators of young countries such as Canada, Australia, New Zealand, South Africa.

Population and intelligence will flow to any mercantile country that adapts its legislation to the dictates of common-sense "business," and luxury is the inevitable outcome of such a public policy, since there is no natural barrier to any form of commodity production, but scarcity of raw material or scarcity of human labor. There has been no scarcity of these things in the past; the greatest dearth being in the realm of common-sense and moral courage.

The greatest need of the present age is citizens of the types of Jesus of Nazareth, Paul of Tarsus, and Karl Marx of Germany; who have moral courage enough to declare heterodox truth, and common-sense enough to dare the orthodox devil.

For copies of this Pamphlet apply to regular book agents; or enclose 10 cents to the author, addressed London, Ontario.

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