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INDIVIDUALIST ANARCHISM

You ask me to write you an expository article on this subject. My first impulse is to reply: "Why ask me, when Benjamin R. Tucker said lucidly and briefly all there is to be said on the subject sixty years ago in his pamphlet "State Socialism and Anarchism"? He introduced the subject to the eager young man that I was in 1900, and if I now draw attention to his work, somewhere from the shades he may smile his slow grave smile of thanks; and this shall be my reward.

In this pamphlet Tucker related the historic origin and division of what he called two types of Socialism. Both sprang from Adam Smith in Chapter 5 of the "Wealth of Nations", in which Smith declares that the value of any commodity to the person who possesses it, and who means not to consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to buy or command. Labour therefore is the real measure of the exchange value of all commodities. But Adam Smith, after stating the principle most clearly and concisely, immediately abandoned all further consideration of it, and devoted himself to showing what determines price today. Socialism then picked up his doctrine 50 years later (the "Wealth of Nations" was published in 1776), and made it the basis of a new philosophy. Since his day nearly all the political economists have followed Smith's example by confining their function to describing society as it is. Socialism, on the contrary, describes society as it should be.

The new economics of Socialism was developed independently by three different men, of three different nationalities, in three different languages: Josiah Warren, an American, Pierre J. Proudhon, a Frenchman, and Karl Marx, a German Jew. That Warren and Proudhon arrived at their conclusions singly and unaided is certain; but whether Marx was not largely indebted to Proudhon is questionable. However, Marx's presentation of the ideas was so peculiarly his own that he is fairly entitled to the credit of originality. So far as priority in time is concerned, the credit appears to belong to Warren.

From Smith's principle that cost is the proper limit of price, these three men made the following deductions: that the natural wage of labour is its product; that this product is the only just source of income; that all who derive income from any other source abstract it directly or indirectly from the just wage of labour; that this abstracting process generally takes one of three forms—interest, rent and profit; that the only reason why the banker, the stock-broker, the landlord, the manufacturer, the merchant are able to exact money from the labourer lies in the fact that they are backed with legal privilege or monopoly; and that the only way to secure to labour the enjoyment of its entire product, is to strike down monopoly.

It was at this point—the necessity of striking down monopoly—that came the parting of the ways. Marx went one way; Warren and Proudhon the other. Thus were born State Socialism and Anarchism. Marx concluded that the only way to abolish the class monopolies was to centralise and consolidate all industrial and commercial interests, all productive and distributive agencies, in one

vast monopoly in the hands of the State. Product and capital, he declared, are essentially different things: the former belongs to individuals, the latter to society. Society must seize the capital which belongs to it, by ballot if it can, by revolution if it must. Thus will Authority achieve its aim, and class monopoly be converted into State monopoly.

Warren and Proudhon, however, took the other road—the road of Liberty. When they came face to face with the obstacle of class monopolies, they saw that these monopolies rested upon Authority, and they concluded that the thing to be done was, not to strengthen this Authority, and thus make monopoly universal, but to upset Authority and give full sway to the opposite principle, Liberty, by making competition, the antithesis of monopoly, universal. They saw in competition the great leveller of prices to the labour cost of production. In this they agreed with the political economists. The query then naturally presented itself: why all prices do not fall to labour cost, or why the usurer the receiver of interest, rent and profit exists. The answer was found in the present one-sidedness of competition. It was discovered that capital had so manipulated legislation that unlimited competition was allowed in supplying productive labour, thus keeping wages down to starvation point, that a great deal of competition was allowed in supplying distributive labour, or the labour of the mercantile classes, thus keeping down not the prices of goods, but the merchants' actual profits on them to a point somewhat representing equitable wages for the merchants' work; but that almost no competition at all was allowed in supplying capital, upon the aid of which both productive and distributive labour are dependent for their power of achievement, thus keeping the rate of interest on money, and, of course, house-rent and ground-rent at as high a point as the necessities of the people will bear.

On discovering this Proudhon and Warren charged the political economists with being afraid of their own doctrine. The Manchester men were accused of being inconsistent. They believed in liberty to compete with the labourer in order to reduce his wages; but not in liberty with the capitalist in order to reduce his usury. *Laissez-faire* was very good sauce for the goose, labour, but very poor sauce for the gander, capital. But how to correct this inconsistency, how to serve the gander with this sauce, how to put capital at the service of business men or labour at cost, or free of usury—that was the problem. Marx, as we have seen, solved it by declaring capital to be a different thing from product, and declared that the former belonged to society, and should be seized by society, and employed for the benefit of all alike. Proudhon scoffed at this distinction between capital and product. He maintained that capital and product are not different forms of wealth, but simply alternate conditions or functions of the same wealth: that all wealth undergoes an incessant transformation from capital into product and from product back into capital, the process repeating itself interminably; that what is product to one man immediately becomes capital to another and *vice versa;* that a steam engine is just as much product as a coat, and that a coat is just as much capital as a steam engine.

For these reasons Proudhon and Warren found themselves unable to sanction any such plan as the seizure of capital by society. But though opposed to socialising the ownership of capital, they aimed nevertheless at socialising its effects by making its use beneficial to all instead of a means of impoverish-

ing the many to enrich the few. And they saw that this could be done by subjecting capital to the natural law of competition, thus bringing the price of its use down to cost, that is, to nothing beyond the expenses incidental to handling and transferring it. So they raised the banner of absolute Free Trade; free trade at home as well as with foreign countries; the logical carrying-out of the Manchester doctrine; *laissez-faire* the universal rule. Under this banner they began their fight upon monopolies, whether the all-inclusive monopoly of the State Socialists, or the various class monopolies that now prevail.

Of the latter they distinguished four of principal importance: the money monopoly: the land monopoly: the tariff monopoly, and the patent monopoly. First in importance of its evil influence they placed the money monopoly, which consists of the privilege given by governments to certain individuals holding certain kinds of property of issuing the circulating medium, a privilege then enforced in U.S.A. by a national tax of 10% upon all other persons who attempt to furnish an exchange medium, and by State laws making it a criminal offence to issue notes as a currency. They said that if the business of banking were made free to all, more and more persons would enter into it, until the competition would become sharp enough to reduce the price of lending to its labour cost, which statistics show to be less than three-fourths of one per cent.

So far Tucker. Now here is where I enter the scene. This pamphlet was sent to me in about 1900, in my twenties. I was immediately interested. But why, I asked, were these restrictions imposed? This enquiry led me to spend the leisure of the next ten years in the Reading Room of the British Museum, and the Goldsmith's Collection of currency pamphlets at South Kensington; and in 1907, with youthful precipitancy, I published a pamphlet "Free Banking", which I afterwards withdrew on account of technical inaccuracies. In 1917 I published a book with the somewhat melodramatic title "Industrial Justice Through Banking Reform", the title of which was modified in 1934 when Macmillans published a second edition entitled "Free Banking". I found myself differing from Tucker. I was at the advantage here in that I could study the historical development of banking from its primitive conditions in the 15th and 16th centuries down to 1844 when the right of freedom of note issue was finally abolished. The subsequent years showed an enormous development of manufacturing prosperity in England. It was then assumed abroad that our prosperity was due to our banking laws, and every country in the world, including U.S.A. put legal restrictions on banking similar to those opposed here. Hence whereas Tucker found a restricted banking system, and proposed a new method of overcoming that restriction by means of a form of co-operative banking, the "Mutual Bank", I was disposed to suspect the running of banks by committees. I found that the banks before 1844 in England had been able to get themselves established through their right of note issue. Why then was this right abolished? What were the arguments for and against? Happily the parliamentary debates of 1844 were there for all to read; and the shelves of the British Museum groaned with controversial literature on the subject. Day by day I read on in a fever, accumulating volumes of notes. At length the case was clear: the villain of the piece was King William III, who, in 1694, being in great need of money to establish his newly-won throne and prose-

cute continental wars, and not having enough credit to borrow in the open market, accepted the offer of a body of London Merchants to start a bank, the Bank of England, to lend to the government in exchange for a monopoly of note issue. The entire history of banking from that date to 1844 is a record of the attempts of the Bank to retain that monopoly against the growing needs of the community for exchange medium, and the Bank, being the mainstay of the government was usually on the winning side. In 1707, in response to the clamour for exchange medium the monopoly of note issue was modified in that banks of not more than six partners were allowed to be established, banking thus being confined to the wealthy men.

Fortunately, Scotland, on the contrary enjoyed for nearly two centuries complete freedom of banking. Any Scotsman was allowed to open a bank in his back parlour if he wished. And the Rt. Hon. James Wilson, founder and editor of *The Economist*, wrote in 1845:—

> **By law there has never been any restriction against anyone issuing notes in Scotland; but in practice it has ever been impossible for any unsound or unsafe paper to attain currency.**

In order to guard against inflation the Bank was allowed to issue only the amount of notes equal to the amount it had lent to the government: any excess to be represented by gold in its reserves. This was the main evil in those days. Credit could be extended only when the Bank got gold. The presence of gold in the reserves was the test for fresh credit—not the demand of exchange for medium. This system was the cause of the downfall of the system of free note issue by private banks. All notes were legally convertible into gold on demand at a fixed paper price per ounce weight. This was the famous

Gold Standard. But it was early noticed in Scotland that whenever England muddled its State-controlled banking system, or set up a demand for gold for any other reason, the Bank of England sent its agents into Scotland where they collected Scottish notes, which they exchanged in Scotland for gold at the banks, and exported the gold to London. To meet this difficulty the Scots simply abolished the Gold Standard, and issued notes convertible into gold six months after demand. If the note-holder wanted gold at once, he was obliged to accept a less weight of the metal. The option notes were issued by the foremost Scottish banks, and, so great was the confidence of the people in the banks, that the notes circulated in Scotland at par. The system was later copied in England; but the absence of competition in banking here caused the system to be abused, and in a few years the State forbade the circulation both in England and Scotland of any notes save those redeemable in a fixed weight of gold on demand. Thus was the Gold Standard finally imposed on us legally.

During the Napoleonic wars we had to make immense payments to the continent. Gold was drained from our reserves; prices fell, and the price of gold rose. The private banks, in face of the demand of home production for exchange medium, took no steps to curtail their loans. It was left to the Bank of England to endeavour to keep the country's credit advances in some proportion with its gold reserves. The situation rapidly deteriorated, and, after several financial crises, the government passed the crowning Act of restriction, the 1844 Act, which prohibited the creation of fresh banks of issue, and severely curtailed the note issues of existing banks. The purpose of the Act was to compel the private banks to restrict their advances

when gold left the country. If they were unable to substitute paper for the notes, they would be obliged to curtail their credit advances.

But in doing this the Act proscribed the only means by which fresh banks had previously been able to get established. It was highly effective; for no bank of any importance has since been founded in the United Kingdom. Now before 1844 it had been customary for a business man of reputation to begin making small note issues in his neighbourhood to pay his wages, and in local purchases. If the issue commanded success, it was extended, and the founder often took up banking instead of his own business. The names of Smith, the mercer, who started the Nottingham bank, the chandler Wood of the Old Gloucester, Coutts the corndealer, Mansfield the linendraper, Gurney the worsted manufacturer, Lloyd the ironmaster, and Barclay the linendraper still exist today as evidence of this process. The 1844 Act stopped this system, with the result that the conversion of fresh producers to employers was stopped. Employers' profits might be high and wages low, but so few wage-earners could get loans from this legally-granted monopoly banking system that there was continual over-competition among wage-earners, and under-competition among employers.

As was remarked earlier, it was assumed abroad that the British banking system was the cause of our manufacturing supremacy. Knowing nothing of the history of British banking American monetary reformers proposed a system of co-operative banking in order to break the monopoly of banking. British reformers on the contrary proposed a return to freedom of note issue; and this has since been the main difference between the British and American movements. Both sides seek to free credit issue from the shackles of gold; but whereas we see in the Gold Standard the chief enemy, they tend to criticise the monopoly of banking. Space forbids me here to go deeper into the technical details of our banking laws. Enquirers can look them up in my book, mentioned above. Let me turn to their effect on the economic state of the country, and on its political thought.

The passing of the 1844 Act coincided with the start of the industrial revolution. The effect of the Act was to tie down production to the amount of credit provided by the banks established at that date. But machine production involved considerable initial outlay of capital. Before 1844 this capital was obtainable cheaply from a system of many small independent banks in keen competition with each other. After 1844 the existing banks were given a monopoly. They gradually were able to avoid the risks that they formerly freely took, and steadily insisted upon more and more valuable security as a basis for loans. The result was to prevent the conversion of the capable handworker into an employer of labour; to create a permanent excess of labour supply over demand; and therefore to enable existing employers to pay starvation wages.

Hereon we Individualist Anarchists base our attack full in the face of the coercive State. Before the industrial revolution production was carried on mainly by men working for themselves, and employing a few journeymen apprentices to whom they taught their crafts. After the invention of machinery, the possessors of that machinery suddenly made high profits. Had all the capable handworkers had access to cheap long-date credit, so many of them would have become employers that all the displaced labour would have been used up, and employers' profits

would have sunk to the lowest economic advantage of their skill and organising powers. With every handworker who became an employer the reserve of labour would have diminished, and wages would have risen; competition among employers would have reduced the prices of goods to the minimum possible; and thus the benefits of machine production would have been rapidly spread throughout the community in the form of high wages and low prices. Above all—it would have produced a society of free men, *economically* free men—men who were free not only before the law, but men of substance and property, earning their own living independent of the whims of their neighbours, or the frown of the State.

Herein we are disciples of Herbert Spencer. Spencer saw that with the decline of militarism, the State, which interferes in the economic life of its subjects, could slowly be allowed to decay. Men could do for themselves in voluntary organisations the really useful things from among those which the State had formerly imposed by law. Certainly every able and willing man would be able to feed, clothe and educate his children without submitting to dictation by the State. Laws could be gradually confined to the enforcement of promises and contracts. And this enforcement of contract would be eventually taken over by voluntary bodies of the type of our present insurance companies; and the coercive State—the State which compels support from everybody in a certain area by taxing them, whether they desire its benefits or not—the State would disappear.

In this article I have dealt only with the financial problem. In the matter of land, we agree with Tucker's scheme of use ownership. Abusive monopoly of land as distinct from private ownership was imposed by force in feudal days. Since then, however, all land has been bought and sold many times; and it would be manifestly unjust to confiscate it from present owners. Anarchists would recognise only use ownership: a man should be protected in the possession of only such land as he was personally using in the manner recognised by his neighbours. All existing tenants would be given the right to buy their holdings or houses. Tribunals would be set up to decide if particular owners were "using" their land according to current custom, and the price to be paid by the prospective buyer.

Tariffs require no defence today. The case for them weakens as society moves from the military to the industrial stage. Patent laws are more controversial; but we hold that society loses more than it gains by protecting inventors and authors against competition for a period long enough to enable them to extort from the people a reward enormously in excess of the labour measure of their services. The abolition of this monopoly would fill its beneficiaries with a wholesome fear of competition, which would cause them to be satisfied with pay for their services equal to that which the labourers get for theirs, and to secure it by placing their products and works on the market at prices so low that their lines of business would be no more tempting to competitors than any other lines.

Individualist Anarchism furnishes no code of morals. "Mind your own business" is its only law. It points cynically to the development of the word "officious", which originally meant "One who performs the kindly offices". Anarchists look on attempts to suppress vice arbitrarily as in themselves crimes. They believe liberty and the resultant social well-being to be a sure cure for all the vices. But they recognise the right of the drunkard, the

gambler, the rake and the harlot to live their lives until they shall freely choose to abandon them. The prosperity arising from liberty will enable others to shield themselves from the imprudence or aggression of these peculiar people.

In the matter of the maintenance and rearing of children Anarchism declares that the nurse and the teacher, like the doctor, must be selected voluntarily, and their services paid for by those who patronise them. Parental rights must not be taken away, and parental responsibilities must not be foisted on others. Anarchists acknowledge and defend the right of any man or woman, or any men and women, to love each other for as long or as short a time as they can, will or may. To them legal marriage and legal divorce are equal absurdities. They look forward to a time when every individual, whether man or woman, shall be self-supporting, and where each shall have a separate home of his or her own, whether it be a separate home, or rooms in a house with others; when the love relations between these independent individuals shall be as varied as are individual inclinations and attractions; and when the children born of these relations shall belong exclusively to the mothers until old enough to belong to themselves.

This then is Individualist Anarchism. It is libertarian not dictatorial: scientific not dogmatic; constructive not destructive. It enables each to be happy in his own way; it does not seek to establish happiness for all. Communism has faith in a cataclysm: Anarchism knows that social progress will result from the free play of individual effort. Communism wishes to expropriate everybody: Anarchism wishes everybody to be a proprietor. One has confidence in social order: the other believes only in the works of peace.

One wishes to instruct everybody; the other wishes to enable everybody to instruct himself. The Anarchist is ready to be judged on his programme—he seeks to impose it by force on nobody.

"FREE BANKING"

By Henry Meulen

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Reviews:—*The Banker's Magazine*: "Mr. Meulen's book is no volume of quackery: his arguments are carefully developed on a sound basis, and they are worthy of the deepest consideration, not only by bankers but also by politicians who wish to inform their vast electorate of the need for reform of a banking system about which they are almost entirely ignorant."

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