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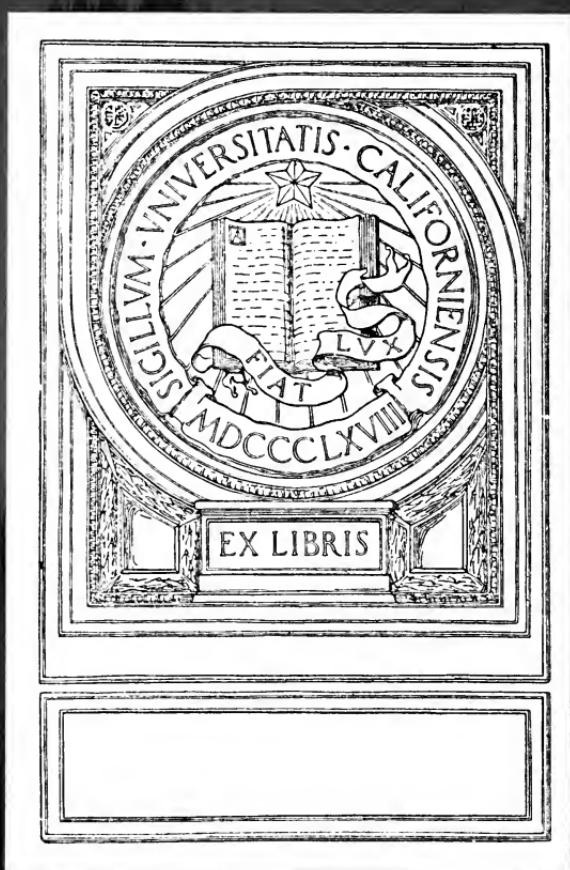


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THE
DEPRESSION IN TRADE
AND
THE WAGES OF LABOR.

URIEL H. CROCKER.

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There is that scattereth and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty.—PROVERBS xi. 24.

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John Wilson
LITERARY ANTIQUARIAN

PREFACE.

THE following pages have been written for the purpose of giving a full and connected statement of certain arguments and conclusions which the undersigned has during the past nine years brought in various ways to the attention of the public. The first presentation of these views was made in a communication printed in the "Boston Daily Advertiser" of August 8, 1877, and that communication was followed from time to time by others in different papers and periodicals. The more important of these articles were collected in a pamphlet entitled "Excessive Saving a Cause of Commercial Distress," published in June, 1884, and in a few pages, supplementary to that pamphlet, printed a year later.

In those earlier articles attention was directed solely to the *cause* of the troubles which were the subject of consideration, and the proposal of any *remedy* was carefully avoided. This course, however, has resulted in a general criticism of the author as one who had proposed to remedy the mischiefs of the times by a general indulgence in ice-cream or fireworks, or by some other expedient equally ab-

surd and equally foreign to his thoughts; and it has therefore seemed to him to be advisable, in the hope of avoiding such misconceptions in the future, to add in this pamphlet, to the argument concerning the cause of the depression in trade, some considerations as to the direction in which we ought to look for relief from the evils that have resulted from that depression.

URIEL H. CROCKER.

APRIL 26, 1886.

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THE general and widespread depression in trade, which, except for a short interval of business prosperity, has now extended over a period of twelve or thirteen years, has given rise to much discussion both in this country and abroad, and more especially in England, where a "Royal Commission on the Depression of Trade and Industry" has recently been appointed.

The phenomena which are the evidences of this depression are generally seen and recognized, and people are in the main agreed as to their character. Few persons will deny that more products of almost every description have been created than it has been possible to dispose of at a profit over the cost of production. Among the so-called raw materials, more iron, coal, cotton, and wheat have been produced than the market has seemed to call for, while of most manufactured products greater quantities have been turned out of the factories than could be sold except at a loss to the owners of the factories. It has been the general complaint among tradesmen that business has been dull; among railroad managers that their roads have been earning but small dividends; and among capitalists that they could find for their funds no investments which promised favorable returns.

These phenomena, however, might not call for serious attention, except for certain other phenomena by which they have been accompanied. In the midst of all these evidences of plenty, in the midst of an abundance of the products of the earth and of labor, large numbers of the laboring classes, though ready and eager to work, have, by reason of the lack of any demand for their services, been compelled to sit in idleness, surrounded by an abundance in which they had no share. This has certainly been a condition of affairs that has demanded attention from the student of political science,— a condition in which general abundance has existed only to cause general embarrassment, in which the rich have been complaining of the abundance, because it prevented them from disposing of their goods at a profit, and the poor have been complaining likewise, not only because the abundance caused their labor to be unsought, but also because it spread before them, as before the eyes of Tantalus, the things which they longed for, but were not permitted to touch.¹

¹ The suffering from want of employment has probably not been in recent years so severe in the United States as elsewhere, but in the first annual report of the Bureau of Labor, recently submitted to the Secretary of the Interior, the Commissioner (Hon. Carroll D. Wright) says: "It is undoubtedly true that, out of the total number of establishments, such as factories, mines, etc., existing in the country, about five per cent were absolutely idle during the year ending July 1, 1885, and that perhaps five per cent more were idle a part of the time; or, for a just estimate, seven and one half per cent of the whole number of such establishments were idle or equivalent to idle during the year named. According to the census of 1880 there were, in round numbers, 255,000 such establishments, employing upwards of 2,250,000 hands. If the percentage stated above is correct, and it is believed to be approximately so, then there were possibly 19,125 establishments idle or equivalent to idle and 168,750 hands out of employment, so far as such establishments were concerned, during the year named. The percentage stated, if erroneous at all, is probably too large, because the idle establishments were to a large extent small and poorly equipped. In some industries the percentage of idle establishments would be much greater than the average given, while in other industries the percentage given is much too large. Applying this percentage, however, to the whole number of people employed in all occupations in the United States, which in 1880 was 17,392,099, there might have been 1,304,407 out of employment; but this is a number evidently too large, because it applies to all occupations,— those engaged in agriculture, professional and personal service, trade and trans-

Many theories to account for these unusual phenomena have been proposed. In this country it has been said that the trouble is due to our protective tariff, which, it is claimed, has limited the market for the sale of our products. But the fact that the depression has been felt even more severely in free-trade England than in the United States, indicates that this theory cannot be the true one. In England, on the other hand, it has been urged that the trouble is due to the free-trade policy of that country, which floods it with the products of other nations. But those who urge this view forget that the United States, whose policy is to exclude foreign products, have been suffering from the same trouble, though perhaps in a less degree.

The professors of political economy have told us, in the language of Professor Bonamy Price, in the "Contemporary Review" for April, 1877, that the cause of our trouble "is one and one only, — over-spending, over-consuming, destroying more wealth than is reproduced ; and its necessary consequence, poverty." But if we have been suffering from past extravagance, if we have been "destroying more wealth than is reproduced," surely we ought, as a result, to have found ourselves in the midst of a scarcity rather than an abundance of the products of labor, and, instead of there being any difficulty in giving

portation, mechanical and mining industries, and manufactures. The percentage should be applied only to those engaged in agriculture, trade and transportation, mining industries, and manufactures. There were engaged in those four great branches, as shown by the census of 1880, 13,317,861 persons. Applying the percentage arrived at (seven and one half per cent), we obtain a total of 998,839 as constituting the best estimate of the possibly unemployed in the United States during the year ending July 1, 1885,—meaning by the unemployed those who under prosperous times would be fully employed, and who, during the time mentioned, were seeking employment,—that it has been possible for the Bureau to make. It is probably true that this total (in round numbers 1,000,000), as representing the unemployed at any one time in the United States, is fairly representative, even if the laborers thrown out of employment through the cessation of railroad building be included. A million of people out of employment, crippling all dependent upon them, means a loss to the consumptive power of the country of at least \$1,000,000 per day, or a crippling of the trade of the country of over \$300,000,000 per year."

employment to all who wish to labor, every one ought to find plenty to do and to be hard at work in making good the waste of the past. Indeed, this theory is so far at variance with the facts that it seems now to have been abandoned.

Another favorite theory with the economists has been that the trouble is due to mis-production ; or, in other words, to a foolish over-production of some things, while there has been a corresponding under-production of other things. But this theory also may fairly be set aside as unsatisfactory unless those who advance it are able to point out, as it is evident they cannot do, what the articles are that have not been produced in sufficient quantities to meet the demands of the times ; or at least to explain how it is that, if there is any considerable amount of under-production (corresponding to the evident over-production of many articles), the scarcity of these under-produced articles, creating — as scarcity of any article of merchandise always must — an increase of its price over its cost to the producer, has not in all these years attracted the attention of some of the many shrewd and watchful capitalists whose money has been lying idle for want of investment, and why employment has not thus been given to some of the many laborers who have been unemployed because there has been no demand for their labor.

Another theory is that which has been persistently advocated by the New York "Commercial and Financial Chronicle." This paper has traced all the trouble to the disinclination of the business community to engage in new enterprises by reason of a fear that the continued coinage of silver will lead to a shifting of our currency from a gold to a silver basis, whereby the value of the dollar will be diminished by some twenty per cent, and much confusion and disaster will be brought upon all kinds of business. The objections to this theory are numerous. In the first place, the most active business men usually trade on borrowed capital, and the prospect that they would be able to pay their debts in a depreciated currency would naturally

induce them to extend rather than to diminish their operations. In the second place, common observation of the talk of business men shows that the prospect of trouble from this cause is to their minds too remote and too theoretical to influence largely their practical conduct. And thirdly, those who are accustomed to loan money, although they are the class who are sure to suffer from a depreciation of the currency, and although they are always on the lookout for any symptoms of a coming depreciation, have not felt and appreciated the danger enough to be prevented from loaning their funds at very low rates of interest, or to be led, except in rare instances, to insist, when making a loan, upon an agreement from the borrower that he will repay it in gold.

Finally, a theory, which is in some respects more plausible than any of those before mentioned, has recently been advanced by the economists. This theory represents the depression in trade to be due to the demonetization of silver, which, by increasing the value of gold, has diminished the value, as measured in dollars, pounds sterling, or francs, of all other articles, and thus has discouraged and depressed trade by giving it a continually falling market for all kinds of merchandise. With regard to this theory it may be remarked, in the first place, that the improved methods and increased facilities for exchange and for the payment of debts without the actual use of currency, which have been brought about in recent years, must have gone very far to counteract, if they have not more than counterbalanced, any tendency in gold to increase in value; secondly, the falling market was the natural result of a cause very different from that suggested in this theory. It necessarily arose out of the cheapening of products caused by the great increase that has taken place in the effectiveness of the machinery of production and distribution. This increase of effectiveness must have brought about a great fall in the price of every article that is produced by machinery or transported by railroad or steamship, and, instead of seeking

for a different cause for the fall in prices, we may well wonder that a fall, greater than that which has actually been experienced, has not been brought about by our factories, railroads, and steamships. A third objection to this theory is to be found in the fact that the demonetization of silver could have increased the value of gold, only by increasing the demand for the latter metal; and that, during the time when this demand was increasing, those who felt the increasing want of gold must have been willing to pay more liberally than before for the use of it; in other words, must have been ready to agree to pay higher rates of interest when they borrowed it. Under these circumstances the general rate of interest would have tended to be, for the time, higher than it had previously been. But, as a matter of fact, the last ten years have been notable, not for high, but for low, rates of interest. None of the usual symptoms of a scarcity of money have been observed. Speculators and the debtor class have not been specially embarrassed. There has been no unusual number of failures, and no general want of confidence in the solvency of the business community. For these reasons, this theory, like the others, fails to meet the conditions of the problem.¹

It is quite common for those who write concerning the causes of the depression in trade, to begin their essays on the subject with some remark to the effect that many people suppose the trouble to be due to general over-production; but that any such idea as that could be entertained only by ignorant persons, who, if they were acquainted with the simplest principles of political economy, would know that general over-production is, in the nature of things, an absolute impossibility.² When the theories of the learned conflict with popular ideas,

¹ The objections to this theory have been very well stated in an article by Dr. Th. Barth, in the Berlin "Nation" of Dec. 5, 1885, a translation of which article appeared in the New York "Evening Post" of Dec. 30, 1885.

² Thus, in an article by Moreton Frewen on "Gold Scarcity and the Depression of Trade," in the "Nineteenth Century" for October, 1885, we read: "People of little education are accounting for low prices on the hypothesis of a general over-production; but it is hardly necessary to point out that, while over-

it sometimes turns out in the end that the learned were wrong and the people right,—that the finely drawn arguments, on which the former built their theories, involved fallacies fatal to the truth of their conclusions, while the rougher reasoning processes of the latter led them by a sort of instinct to true results. With regard to general over-production,—by which is meant, not a production in excess of mankind's readiness to consume if products were to be distributed gratuitously, but a production in excess of the demand which is backed by both the inclination to acquire, and the ability to pay for, the things demanded,¹—those who claim that such over-production is possible, certainly have an appearance of facts in their favor. They say that it is possible, because *it actually exists* at the present time, and as evidence of the truth of this assertion they point to the fact that the chief producers in every branch of industry (and these men may well be supposed to be acquainted each with the state of the market for his own products) have long been complaining that in their respective lines of business over-production actually exists. Factory production in any particular trade is frequent, and quickly adjusts itself, general over-production is impossible.” And Mr. Edward Atkinson, in an address on the “Statistics of Consumption,” printed in the Boston “Sunday Herald” for July 5, 1885, says: “I desire to examine the outside of the head of any one who pleads a general over-production, in order to see how his brain is constituted, and what element of common-sense has been omitted in his make-up.”

¹ That it may not be supposed that this definition of “general over-production” is an invention of the writer of these pages, the following quotation from Mill's “Elements of Political Economy” is given:—“Because the phenomena of over-supply and consequent inconvenience or loss to the producer or dealer may exist in the case of any one commodity whatever, many persons, including some distinguished political economists, have thought that it may exist with regard to all commodities; that there may be a general over-production of wealth; a supply of commodities in the aggregate surpassing the demand; and a consequent depressed condition of all classes of producers. . . . There may easily be a greater quantity of any particular commodity than is desired by those who have the ability to purchase, and it is abstractly conceivable that this might be the case with all commodities. The error is in not perceiving that, though all who have an equivalent to give *might* be fully provided with every consumable article which they desire, the fact that they go on adding to the production proves that this is not *actually* the case.”—“Elements of Political Economy,” by John Stuart Mill (Laughlin's ed.), book 3, ch. 11.

owners have, for this reason, been working their factories below their full capacity, and have endeavored to reduce the aggregate of production by mutual agreements with others in the same business, whereby the products of each should, during a certain period, be limited to a prescribed amount. If there is evident over-production in all the more important branches of business, what can be the branches in which there is an amount of under-production sufficient to redress the balance and leave the world with, on the whole, no excess of production over consumption? Unless such instances of under-production can be pointed out, it is evident that general over-production, as an actual and existing fact, must be admitted.

If, then, general over-production is apparently an existing fact, it will be well to examine the argument which has been supposed to prove it to be in the nature of things an impossibility. The argument, upon which all modern economists rest for this proof, is that which was furnished many years ago by John Stuart Mill, and is in substance as follows: No man produces anything unless he expects either to consume it himself, or to exchange it for something else which he expects to consume; in other words, production never exists unless an equivalent demand for consumption exists at the same time, and therefore production can never exceed in amount that demand for consumption,—can never be developed into general over-production. According to Mill, those who assert the possibility of general over-production are involved in the absurdity of assuming that people will go on producing articles which they do not expect to use themselves, or to exchange for other articles which they do expect to use; and their error lies—to quote his own words—“in not perceiving that, though all who have an equivalent to give might be fully provided with every consumable article which they desire, the fact that they go on adding to the production proves that this is not the case.”

This reasoning of Mill's is very plausible, and seems at first sight to cover the whole case. But on closer examination it will be found that it fails to take into account one element of human nature, and leaves one road open by which, and apparently by which alone, general over-production can be reached. Mill in his argument assumes that the sole incentive that leads men to "go on adding to production" is the desire presently to obtain "*consumable articles*," with which they are not at the time "fully provided." But a little consideration will suffice to convince us that this is not true,—that production may be prompted, and that a large portion of it is, in fact, prompted to-day, not by this desire, but by a desire to gain what may be called income-producing investments. Many men labor to-day, not so much that they may consume and enjoy, as that they may grow rich through the accumulation of income-producing investments. The chief opportunity for these investments is, directly or indirectly, afforded by the machinery of production and distribution, by factories, railroads, steamships, warehouses, etc.; and it is the desire to acquire and own these things for the income to be derived from them that prompts much of the production of the present time. The owner of a cotton factory, for instance, often goes on producing cotton goods, not so much that he may, with the profits of their sale, obtain other consumable articles for his own use, but that he may with those profits build new factories wherewith to produce still more cotton goods, and thereby gain further profits. Thus we see that the sole object of production is by no means the immediate acquisition of articles for consumption, as Mill assumes it to be, but that production is in large part due to the existence of a desire to increase production itself through an increase of the machinery by which it is brought about, and that, so far as production is stimulated in this way, it cuts loose from the present demand for consumption and may readily reach an amount far in excess of that demand,—may, in a word, become general over-production.

The conclusion just arrived at may also be reached by a somewhat different line of argument. Let us suppose that there should come to mankind, through some great religious or social movement, a large and sudden development of the miserly desire to gain income-producing wealth at the cost of present comforts and pleasures ; that the desire to save, and not to spend, should suddenly become a universal passion in the community ; and that all people, the rich and the poor alike, should begin to live in the most economical and meagre manner, should eat only the simplest and cheapest food, should wear their old clothes, should abstain from indulging in aught that was new, and should deny themselves all amusements and recreations ; and that they should do all this with a view to the acquisition of income-producing wealth in the shape of new factories, railroads, ships, and warehouses. Is it not evident that under these circumstances there would be an immense development of the machinery of production and distribution, and at the same time an equally large diminution of the consumption of the articles which that machinery was intended to create and to distribute ? If, before this movement began, production and consumption had been equal in amount, it is evident that the balance would, as the movement proceeded, be quickly disturbed, and that there would speedily be developed a large degree of general over-production.

These arguments certainly show that general over-production is not, as Mill has been supposed to have proved, and as modern economists assert, a thing absolutely impossible so long as men do not labor for the mere pleasure of laboring ; but that, on the contrary, it must necessarily arise in a state of society in which certain passions and motives, which are recognized by all as everywhere active and powerful, should receive an excessive and undue development.

It may be objected however, that, though it is perhaps conceivable that the desire to acquire income-producing wealth might under certain imaginable circumstances reach such a

development as to bring about a general over-production, it is not possible that the action of this desire can have been so powerful in recent years as to have caused any such result at the present time. But if, as we hope is the case, we have satisfied the reader that general over-production actually exists, and that it may under certain circumstances be caused by excessive investment with a view to annual income, and if as it would seem we might fairly do, we rely on Mill's argument to show that over-production cannot be brought about in any other way, we are certainly forced to the conclusion that a present over-production has actually been brought about in the way that has been suggested.

If, however, further argument be needed, it may be shown that the history of the past and the circumstances of the present are such as might fairly be expected to develop a general over-production at the present time. This century has seen an immense development in the power and effectiveness of the machinery of production, whereby each man's labor can to-day produce manifold more than it could have done in the year 1800. The machinery of distribution also,—the railroads, steamships, and canals,—have rendered it possible to bring cheaply from the most remote regions to each man's door all the varied products of nature and of art.¹ While the productiveness of each man's labor has thus been largely increased, great numbers of men, who had previously been engaged in

¹ The Hon. Carroll D. Wright, in his report before referred to, says:—“The mechanical industries of the United States are carried on by steam and water power representing in round numbers 3,500,000 horse power, each horse power equalling the muscular labor of six men,—that is to say, if men were employed to furnish the power to carry on the industries of this country it would require 21,000,000 men. . . . The industries are now carried on by 4,000,000 persons in round numbers. . . . The present cost of operating the railroads of the country with steam power is, in round numbers, \$502,600,000 per annum, but to carry on the same amount of work with men and horses would cost the country \$11,308,500,000. These illustrations of course show the extreme straits to which a country would be brought if it undertook to perform its work in the old way. The figures are to a certain extent valuable to show the enormous benefits gained by the people at large through the application of motive power.”

creating the immense machinery of production and distribution, have in the later years been set free to employ themselves in using the machinery thus created. While in the earlier part of the century a large proportion of the available labor was employed in building the factories of all kinds which now exist and the great network of railways that now covers the civilized world, a comparatively small number of workmen is now required for that kind of labor, and the great mass are free to engage directly in running the factories and the railroads which have thus been built. There have been, since our civil war and the Franco-German war, which followed shortly after it, no great wars to waste and destroy the products of labor, and thus to turn back the march of improvement. Under all these circumstances it might well have been expected that the recent years would show an immense improvement in the material condition of all classes of people. Factories, railroads, and ships, equal to an immense amount of production and distribution, had been built and were in full operation, and wars had for the time ceased to divert the results from beneficence to mischief. It was clearly a time for a very largely increased enjoyment and consumption of the products of labor by all classes; by the poor as well as by the rich. But it does not appear that there has been any such increase of consumption. There has without doubt been some increase, but by no means so large an increase as the occasion called for. The poor have indeed, both through greater wages, and through the greater purchasing power of money, been able to a limited extent to increase their consumption;¹ but while this increase has, in their case, been limited by their want of ability to pay for the things which they desired, in the case of the richer classes the

¹ Colonel Wright, in the report of the Bureau of Labor, says: "If the question should be asked, Has the wage worker received his equitable share of the benefits derived from the introduction of machinery, the answer must be, No. In the struggle for industrial supremacy in the great countries devoted to mechanical productions it probably has been impossible for him to share equitably in such benefits."

increase has been limited by their disinclination to spend,—by their desire to save that thereby they might become richer than before. In all these recent years the most accepted gospel has been that of economy. The chief end of man has been supposed to be to grow rich. Nobody has been thoroughly respected in the community unless he has, according to his means, been growing richer every year. The well-to-do mechanic has yearly been adding somewhat to his deposit in the savings bank. The citizen that had accumulated a capital of ten thousand dollars has been endeavoring by a life of economy to increase that capital to a hundred thousand. He that had a hundred thousand was looking forward to the time when he could enroll himself among the millionnaires. He that had a million was hoping and working that he might treble or quadruple his million before he died. And Vanderbilt, with his two hundred millions, was each year saving up many millions that he might therewith acquire new machinery of production and distribution. While there has been no attempt to fix a limit to the extent to which the mania for accumulating wealth might be carried, the machinery of the law has been at work to curb any who might be inclined to go too far in the other direction,—he that has been desirous of spending more than his income has been put under guardianship as a spendthrift, and the father that has feared that his children would be too free in the use of the funds that he had accumulated, has left his estate in the hands of trustees, that thereby the possibility of encroachment on the principal might be prevented. We have indeed gone on increasing the machinery of production, unmindful of the fact that that machinery was useful only so far as it created products for consumption, and that, if consumption failed to keep pace with production, the machinery of production was, to just the extent by which consumption lagged behind, useless and superfluous. We have increased production by bending all our energies in that direction, aided all the while by

the immense increase in the effective power of the machinery of production and distribution, and by the fact that years of labor spent in the creation of that machinery have brought us to a time when we are prepared fully to enjoy its use. On the other hand we have done comparatively little for the increase of consumption. The *possibility* for such increase by the poor has been enlarged but little, while the *inclination* of the rich therefor has been greatly restricted. Under such circumstances what wonder that production has run ahead of consumption,—what wonder that general over-production, as an actual existing fact, has finally been reached?

If the considerations already offered are not sufficient to satisfy the reader that the troubles from which the world has suffered in recent years are due to a general over-production caused by an excessive endeavor to accumulate income-producing investments, we may go still farther, and show that the manner in which this cause would, on theoretical grounds, necessarily operate in bringing about a general over-production, corresponds exactly to the phenomena which have actually been observed. If mankind should at any time be more bent on building factories, than on consuming the products of the factories which had been built, it is plain that the factory owners must soon find themselves competing with each other in the attempt to dispose of a mass of products larger than the market of the time would call for, and that in this competition they would soon be selling their products at a small profit, or even at a loss, compared with the cost of production. Thus, instead of a certain number of factories yielding liberal returns to their owners, there would soon be a larger number of factories yielding little or no returns,—perhaps shutting down, and dismissing their employees, or endeavoring to reduce the wages of those employees, in an attempt to reduce the cost of production below the price which their goods would command in the market. This surely is exactly what has been experienced by the owners of fac-

tories. The result must necessarily be the same with regard to any kind of investment that has been fully subject to competition. Steamships might be expected to be, and as a matter of fact have been, so numerous that their owners have found it difficult to obtain profitable employment for them. Hotels and apartment houses have been built in excess of the demands of the public. With regard to railroads, the case might be expected to be, and in fact has been, somewhat different. So far as an excessive investment in railroads has led to the building of new roads in new territories, which were not prepared to support them, the only mischief has resulted to the persons who have invested in those particular roads, while the railroads previously existing have been benefited through the increased business thereby brought to them, and the people in the newly developed territory have been helped by their new facilities for transportation. If, indeed, the persons who seek to invest their funds in new railroads, build parallel or competing lines, the same results must be developed as in the case of factories,—and the new investor will not only get no profits on his own investment, but will also destroy the profits of investments previously made by others. All this, again, corresponds to what we have seen. Comparatively little mischief to the general prosperity has been caused by the building of such roads as the Northern Pacific, which, though for the time a poor investment for its projectors, brought new business to connecting roads, and gave development and prosperity to an immense territory. On the other hand, the investment of capital in the West Shore Railroad not only proved disastrous to those who built that road, but also destroyed for the time the profits that had before been derived from the millions invested in the New York Central. So also the multiplication of trunk lines across the country, in excess of the needs of business, has led to a competition between the different lines, which has been disastrous to them all.

One more instance of the correspondence of observed facts with results to be anticipated theoretically remains to be mentioned. If the recent depression in trade has resulted from over-investment and consequent over-production, any particular country, the circumstances of which had given exceptionally large opportunities for investment and for consumption, might be expected to have been, in comparison with other countries, relatively exempt from the evil symptoms of the depression. Fortunately for our argument, the history of recent years furnishes a striking example of exactly this phenomenon. At the conclusion of the war between France and Germany, the former country was left with its territory devastated by the armies which had fought within its borders,—its factories, its warehouses, its dwellings, and its railroads had, to an immense extent, been destroyed. Germany, however, had suffered comparatively little; the war had not been fought on its soil, and the expenses, which it had incurred, had been in large part repaid to it by the millions of the indemnity which it had extorted from its fallen foe. But, notwithstanding all these facts, which, according to all accepted principles of political economy, ought to have caused the war to be followed by prosperity in Germany and by distress in France, any one who will study the history of those times will find that it was Germany that suffered, while France prospered,—the general depression in trade at that time having been felt more severely in Germany than in England or in the United States, while France was wholly exempt from it, all her people being able to find work and employment in repairing and making good the waste of the war. We believe that this fact, though easily explained upon the theory which is here advanced, is wholly inexplicable upon any other theory that has ever been suggested.

Before leaving this branch of our subject it may be well to suggest that the views here presented involve no denial of the fact that the desire to acquire income-producing investments is an element of the greatest importance for the development of

human progress. Substantially all the advance that has thus far been made in civilization has been built on this foundation. The only claim here presented is that this element may, like almost everything else in human affairs, be so excessive in amount as to be mischievous rather than beneficial in its effects. One need not be supposed to deny or to deify the benefit or the necessity of food for the human body, because he endeavors to show that the gratification of an inordinate desire for food may result in injury to health or even in the destruction of life itself.

If the arguments and conclusions set forth in the preceding pages are sound, many questions arise as to the future workings of the natural laws, the existence of which we have sought to establish, and as to the possible remedies, if any there are, for the present troubles. The doctrine of the impossibility of general over-production is one that lies at the basis of the whole of the accepted system of political economy. Mill himself says: "The point is fundamental ; any difference of opinion on it involves radically different conceptions of political economy, especially in its practical aspect. On the one view, we have only to consider how a sufficient production may be combined with the best possible distribution, but, on the other, there is a third thing to be considered,— how a market can be created for produce, or how production can be limited to the capabilities of the market." If, as we have endeavored to prove, it is possible that there should exist a production which should be, in its general aggregate, in excess of the capabilities of the market, it is evident that, as Mill asserts, many new questions, which have heretofore been ignored by the economists, come to the front and demand an answer ; and if, as we have claimed is the fact, production has in recent years got ahead of consumption, whereby much embarrassment to business and suffering for the laboring classes have resulted, it is evident that the even balance, that should be kept between pro-

duction and consumption, cannot be restored unless either the latter element is increased or the former one diminished.

There are evidently many ways of reaching either of these results. On the one hand, consumption may be increased by the action of government, through engaging in costly and destructive wars, through the maintenance of large armies and navies, or through the erection of costly public buildings and public works. It may be increased by the richer classes through a more liberal expenditure on luxuries, or through a more generous use of their wealth in the distribution of charities among the poor. It may be increased by the poorer classes through a fuller enjoyment of the comforts of life; but this mode of increase is not directly dependent on the simple volition of the persons composing those classes, for, before they can increase their consumption, it is necessary that they should receive larger wages than at present, or at least wages which, if not larger as measured in dollars, will be larger in purchasing power. Finally, consumption may be increased through the opening of new fields for the investment of capital, as, for example, if a new mode of transportation should be invented, which should serve as a substitute for railroads.

On the other hand, production may be diminished, and this also may be accomplished in various ways. Production may be diminished through the destruction of the machinery of production and distribution by war, riots, floods, or conflagrations. It may be diminished through the refusal of mankind to avail itself of the assistance of labor-saving machinery. It may be diminished by the enforced idleness of large classes of people, as by preventing convicts in prisons from performing any useful labor, or by the temporary closing of factories and the temporary stoppage of machinery. This closing of factories, however, though it has been practically tried more than any other supposed remedy, is liable to the objection that, while diminishing production, it reacts upon and at the same time diminishes consumption; for, by throwing large numbers

of working people out of employment, and thereby depriving them of the means of purchasing the articles which they desire, consumption is diminished, and the total result of the process may well be to increase the disproportion between production and consumption, rather than to lessen it. Finally, production may be diminished by reducing the hours of labor through the adoption of eight-hour laws or otherwise.

Most of these methods for increasing consumption or diminishing production, are liable to evident objections that prove them remedies to be avoided, rather than sought for,—remedies which are in fact worse than the disease by which we have been afflicted. There are, however, two of these suggested modes of relief which may well engage our attention. If we can hope to relieve the depression in trade by increasing the consumption of the good things of life by the poor, or by reducing their daily hours of labor; or by a combination of these two remedies, whereby the poor shall both enjoy more and work less,—have more to enjoy, and more time to enjoy it in,—we surely shall have reached a consummation much to be desired. But all these results are within the reach of mankind, provided it has intelligence sufficient to enable it to grasp them without contention and without violence. The determination of the amount of the daily wages of the poor, and of the hours of their daily labor, has hitherto been largely in the control of the rich, whose aim has been chiefly to prevent increase of the former or reduction of the latter. Recently, however, the poor have endeavored, by strikes and boycottings, to control these matters in accordance with their own interests, and to bring about results the reverse of those sought by the rich. In this struggle it may with reason be hoped that the poor will attain to some large measure of success. The success of the rich in their efforts to reduce wages can lead only to an indefinite continuance of the present disproportion between production and consumption, and to rioting and violence by those who suffer from want in the midst

of abundance. The success of the poor, on the other hand, must mean increased consumption of the products of labor; increased demand for the use of the machinery by which those products are created; increased income for the owners of that machinery; and increased activity in every branch of business and of labor. In the interest, then, not only of the poor, but of the rich, our sympathies ought to be with the former, rather than with the latter, in the labor troubles which are now attracting general attention.

The fact that the mischievous consequences of general over-production are being developed at a time when the laboring classes (who are the chief sufferers from it) are beginning to find that the actual control of the world is in their hands, if they only have the inclination and the intelligence to grasp that control, is an important element not to be lost sight of in any consideration of the subject. The laboring classes are everywhere struggling in a blind way to right the wrongs from which they suffer; or, as some may prefer to put it, to bring about some amelioration of their social condition. As in the recent labor riots in London and in Belgium, so there will always be leaders ready to turn the honest struggles of the unemployed to the work of murder, rapine, and anarchy. Those who would keep the masses back from following these leaders must be prepared to hold out to them some hope of relief from their troubles. If all that the educated classes, if all that political science can say to the poor and the ignorant is, that they must, by reason of some past errors of legislation concerning the currency, or the tariff, or free trade, submit to starve in the midst of abundance, we may well fear that there will be shortly a sudden upheaval and outburst of terrible forces. There is no subject calling more urgently for immediate and careful study to-day, than this of the causes of the present labor troubles; but the subject is a difficult one, and there is a very general disinclination to discuss it except in the most superficial manner. Educated people suppose that the professors of

political economy have a thorough knowledge of the whole matter, and that this knowledge is so deep and so abstruse that it cannot be easily acquired by those who have not made a special study of political science. The professors, on the other hand, go blindly ahead, working out their old regulation theories, unwilling to re-examine the foundations of those theories, and turning aside with silent contempt from any one who suggests that there are truths in political science of which they are as yet ignorant.

There is much in the present condition of affairs that suggests a comparison with the condition of France prior to the great Revolution of 1789. Then, as now, social inequalities had become strongly marked and exceedingly offensive. The masses, in their blind struggle to overthrow the "divine rights" of kings and the privileges of the nobility, burst all barriers, and created for a time a reign of terror. The result was, however, in the end a large recognition of the equal rights of men throughout the civilized world. Since that time, and until recently, men have had fair opportunities to create their own position in the world,—to rise by their own exertions from the lowest to the highest ranks. But latterly a new barrier has been growing, and the distance between the rich and the poor has been widening. Vanderbilt, Gould, and a few others, have seemed to be in a fair way to absorb into their own possession all the income-producing wealth of the country,—at least all that large part of it which takes the form of the ownership of railroads,—while great numbers of the poor have been so situated that, though anxious to earn their living, and though surrounded by abundance, they have been forced to starve in idleness. Can it be expected that now, any more than in 1789, the masses will submit quietly to a lot of suffering and privation which they feel is due to no fault of their own, while wealth, and the comforts and luxuries which wealth gives, concentrate themselves in the hands of a few,—and those few apparently not the most deserving? It is

to be hoped that the *vis medicatrix naturæ* will soon cure our present troubles,—that an improved condition of the masses will come without active interference from any man or body of men; but if relief does not come in this way, if an application of the heartless laissez faire principles of the economists does not promptly work out relief, we may expect soon to hear of vigorous efforts on the part of the sufferers to obtain that relief by violent measures. The riots in London and in Belgium, the strikes and boycottings in England and in this country, the threatenings of murder and rapine by socialists and anarchists, may be but the mutterings before a storm that is to break upon us as unexpectedly as, to the great body of our people, the fierce storm of our civil war broke upon and swept over the length and breadth of a country to which such horrors had been so long unknown that they seemed an impossibility within its borders.

The unexpected success which has followed the strikes that have recently taken place has offered a hope of relief from the dangers of our social situation. The effort had previously been to cure the evils of the times by the old-fashioned remedy of an increased practice of economy. The trouble being that production had run ahead of consumption, we had tried to relieve the situation by an enforced reduction of consumption, and, necessarily, a corresponding lessening of production. Any considerable lessening of production necessarily involved the enforced idleness of large numbers of men, whose labor thus became superfluous, and for whom such enforced idleness meant loss of wages and consequent want and suffering. This tended only to intensify the mischief, and to lead the sufferers finally to violent struggles after relief. Recently, however, there has been opened a way of securing a genuine relief. In spite of all the outcries of the economists at the folly of attempting to get better wages for labor, when business is dull and labor not greatly in demand, the attempt has met with much success, and with that success, if con-

tinued, must come a great increase of consumption that will set the machinery of production and distribution in full action, and give employment to all ready and willing hands. It appears, however, that the Knights of Labor, intoxicated by the success of their strikes, will attempt to carry their movement too far; that, having succeeded in effecting a large increase of wages, they will endeavor to effect larger and still larger increases, until they attempt that which is, in the nature of things, impossible. What is to put a practical limit to the progress of the movement for higher wages, it is not easy to see; but while we may hope that natural laws will finally check that progress in some peaceful manner before it has gone too far, it is much to be feared that excessive demands on the part of the laboring classes, especially if accompanied by acts of violence, will tend to check enterprise and to frighten capital, and will thus, by reducing the demand for labor, cause the movement for higher wages to result in an actual reduction of wages. If this result shall be brought about, the time when the equilibrium between production and consumption is to be restored will be indefinitely postponed, and we may well fear that the intervening period will be one of great confusion and great suffering throughout the civilized world.



A P P E N D I X.

THERE are several collateral results of the views developed in this pamphlet, to which it may be well briefly to refer.

FIRST. It may be remarked that although an increase in the wages of labor may in the future lead to a largely increased demand for the machinery of production and distribution, the desire to obtain income-producing investments is so powerful and so general among all classes of people that it is probable that the field of investment will hereafter remain permanently overcrowded except when it may be cleared for a time by the destruction due to a great war, or by a new invention which shall supersede an old one and call for a large investment of capital in a new kind of machinery. Such overcrowding must mean great competition within the field, wherever competition is possible, and great competition must mean small profits for the competitors. Manufacturing business, therefore, in the future, when it has no monopoly, but is open to the competition of all comers, may be expected to return only small profits. Railroads, however, when free from competition, as they must often be, and when free also from legislative interference, may be expected to pay large dividends, for their business must continue to increase in volume. For real estate, advantageously located, a large increase in value may be anticipated, unless too great a portion of the rents is

taken by taxation to be wasted or squandered by incompetent or corrupt governments. Under these circumstances money can of course command only low rates of interest. Periods of relief from this general condition of affairs may, however, be expected to occur, whenever people are led (as they were in 1881 and 1882) to make a sudden and general move in the direction of accumulating stores of manufactured products in preparation for an anticipated rise in their value. But any such period must always be followed by a reaction, when the general desire to dispose of the accumulations has glutted the markets with the products that have been accumulated, and has thus interfered with the regular disposal of the usual products of the year.

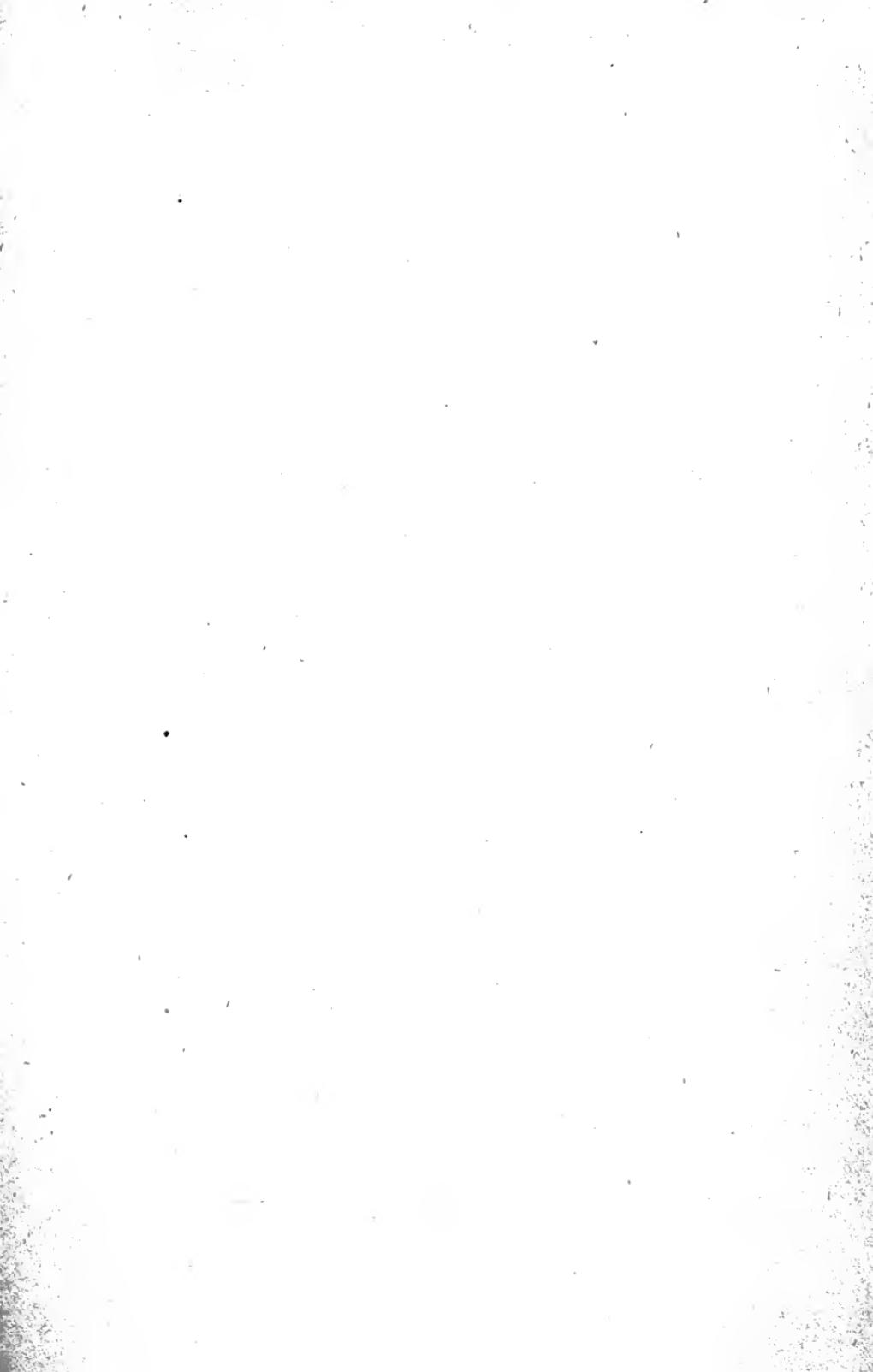
SECOND. Another consideration resulting from the views set forth in this pamphlet is this: If the closing of factories and the throwing of laborers out of employment finds its original cause in an excessive desire on the part of the general public to acquire income-producing investments, it would seem that the sufferers from the results thus brought about might fairly have some claim on that public, as represented in and by the government of the state or nation, for relief from the suffering thus created. If the action of the community as a whole, through the general excess of the desire to accumulate, is such as to leave labor unemployed and starving in the midst of abundance, may not the idle and starving laborers fairly claim that the government, which represents the community at large, shall find and supply them with that labor, that means of earning a livelihood, which individuals have failed to furnish? A new light is thus thrown on the question of the propriety of public workshops and public improvements carried on mainly for the purpose of giving employment to the idle. The objections to such measures on grounds not here noticed may be insuperable, but these considerations afford a strong argument in support of the view that under certain

circumstances it may be the duty of a government to attempt to relieve public distress in this way.

THIRD. It may be remarked that the theory here advanced suggests a way in which a protective tariff may benefit the country which imposes it. If, on account of its undeveloped condition or for any other reason, one country affords greater opportunities and a larger field than others for the profitable investment of capital, such country may, by limiting as far as possible, through tariffs or otherwise, its communication with countries where the field of investment has been crowded, postpone the evil day when the effects of the competition among investors will cause depression in trade and general distress within its own borders. Perhaps, however, this merely shows that a country may by a protective tariff delay the march of its own progress in civilization, and thereby postpone the time when it must suffer from some of the necessary, though unpleasant, incidents of that progress.









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