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EXCESSIVE SAVING

A CAUSE OF

COMMERCIAL DISTRESS;

BEING A SERIES OF

ASSAULTS UPON ACCEPTED PRINCIPLES
OF POLITICAL ECONOMY.

BY

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PREFACE.

It is now about seven years since the undersigned made his first attempt to bring into public notice certain views which, if received as true, will involve important changes in the accepted principles of political economy. These views were developed from time to time in the articles and communications to the press contained in the following pages. Some of these articles and communications were declined by the periodicals and newspapers to which they were offered, and none of them have ever received any printed recognition of their soundness, or even of their plausibility. A firm faith, however, in the truth of the conclusions reached, and a strong sense of their importance for a proper understanding of many of the political and social phenomena of the present time, have led the undersigned to print this pamphlet,—in part with the hope that thus his suggestions and arguments may at last reach minds prepared to receive them, and in part as a monument to prevent later inquirers from gaining such credit as may be due to the original discoverer of whatever may have been novel in the views here presented.

URIEL H. CROCKER.

Boston, 14th June, 1884.

EXCESSIVE SAVING
A CAUSE OF
COMMERCIAL DISTRESS.

THE first public suggestion of the author's views was contained in the following communication to the "Boston Daily Advertiser," and appeared in the issue of that paper of August 8, 1877.

EVIL EFFECTS OF MAKING HASTE TO BE RICH.

THE general depression in business, and more especially the recent strikes arising out of that depression, have led to much consideration of the causes that have produced the results which we are now experiencing. The following considerations are offered as presenting somewhat novel views upon this subject:—

The general product of the labor of the community may be considered as being divided between two classes of people,—between the laborers and the capitalists,—between those who perform the manual labor and those who own and furnish the machinery which aids the laborer in the performance of his work; who own and provide the factories, warehouses, ships, railroads, etc.

All the claim that the members of the first of these classes — the laboring class — may acquire through their own labor upon the labor of others is, as a general rule, employed and exhausted in supplying themselves and their families with articles needed for immediate use and consumption; but the second, or capitalist, class acquires in ordinary times a large claim upon labor in excess of what it needs for its immediate support and maintenance. This claim upon or control over labor it may use, according to its own desire, in several different ways. The wealthy may keep the poor busy in producing articles of luxury to be immediately consumed in the using; or in creating more lasting means of gratifying luxurious tastes or fancies, as in the building of elegant dwellings or churches; or, lastly, in building new factories, warehouses, ships, railroads, etc., as a means by which the rich may, by the profits of their new investments, gain new and increased power over labor, — may, in a word, become richer.

There may well be, however, a limit to the extent to which this last-mentioned employment of labor can profitably be carried. If at any given time there are enough factories, warehouses, ships, and railroads to supply the then existing demands of the community, not only can there be no profit in the creation of additional and uncalled-for factories, warehouses, ships, and railroads, but, if these are in fact created, they will by competition destroy the profits of those previously existing, and will thus, by diminishing or stopping both the dividends of the capitalists and the wages of the laborers, diminish the ability of all to purchase the products of labor, and thereby, by diminishing demand, increase still more the excess of the actual over the needed supply.

There seems to be good reason to suppose that this is exactly the way in which our recent depression in business has been brought about. By the termination of our civil war, and by the numerous and important improvements recently made in machinery, the productive power of the community had been very largely increased. Our wealthy classes, being of a thrifty and saving disposition, and wishing not to spend all their income, but to accumulate still greater wealth, sought to use a

large portion of their control or power over labor in creating profitable investments for themselves. They had previously "made money" by building factories, stores, dwellings, railroads, etc., and they thought to make still more money by repeating the operation. Comparatively little harm would have been done if the new investments had simply turned out to be unprofitable, and the old ones had continued to supply to the rich their accustomed dividends, and to the poor their accustomed wages. The mischief has been that the new investments have, by competition, ruined for the time being the old ones; dividends and wages have stopped, and the income of all, both rich and poor, being cut down, their demands upon labor have been immensely diminished, and the laborer has been left in idleness, and without the means of procuring the necessaries of life.

According to the above views it would seem that the economy and thrift of our wealthier classes, — their desire to grow richer by laying aside their surplus earnings in profitable investments, — instead of benefiting the community, as in ordinary times it has done, has actually, under the peculiar circumstances of the present, produced just the opposite result, and that all, both rich and poor, would be more prosperous to-day, if the rich, instead of endeavoring to be economical and saving, and to make profitable investments, had employed the labor which they did in fact employ in building factories and railroads, in simply producing results out of which no profit was sought other than their own gratification, — for instance, in erecting palatial residences, or even in heaping up Egyptian pyramids.

These views must be admitted to be at variance with generally accepted theories; but political economists are plainly at a loss in attempting to account for the present condition of affairs, and it may be that we have reached a time in the world's history when a new element, hitherto unnoticed because inactive, has begun to work. It may well be that the possibilities of the profitable investment of capital have now for the first time been temporarily exhausted, and that the accumulative, money-getting spirit, which has heretofore done

so much for human progress, has for a while no further room for useful action.

U. H. C.

The above communication to the "Advertiser" called forth in that paper an answer from one "E. W." and an editorial, both of which sought to show that "U. H. C." was entirely wrong.

After waiting nearly a year, another attempt to draw attention to the subject was made, the following communication appearing in the "Boston Daily Advertiser" of May 25, 1878.

UNIVERSAL ECONOMY — WILL IT DO GOOD OR HARM?

THE present depression in business is a fruitful topic of discussion in the newspapers and elsewhere, and with all disputants the favorite cause of the trouble is *past extravagance*; the favorite remedy, the general practice of *economy*. My present object is to ask what this economy is that is to help us, and how it is to bring about that result. I suppose that when the people are asked to economize they are asked to spend less money upon luxuries and comforts for themselves and their families, to consume less of the products of labor. But, as our trouble has for a long time been that production has run ahead of consumption, that our factories and our mechanics have produced more than they could find purchasers for, that laborers have been idle for want of any demand for any possible product of their labor, how is it conceivable that a still further diminution of the demand for those products, a still greater decrease in consumption, can help those that are now suffering? Can it give work to the idle laborer? Will it take the superfluous product of the manufacturer off his hands? Will it make the business of the wholesale or of the retail trader more lively? Suppose the whole community should economize to the greatest possible degree; suppose we should all for a year wear our old clothes, eat and drink nothing but bread and water, and forswear all pleasures, such as travelling, the theatre, etc., — would this bring about a season

of prosperity? Or should we not rather find ourselves at the end of that year in a condition of worse poverty and idleness than at its beginning? If not, why not? I wish somebody to explain this. I do not wish to be referred to the good effect of economy upon the fortunes of an individual. I admit that an individual may grow rich by personal economy, if other people will find him work enough to keep him busy, and will pay him for such work. One man may thus advance his own interests at the expense of his neighbors; but how if his neighbors all adopt the same policy? An economical shoemaker will grow rich if other people will buy his shoes; but how will he accumulate wealth if the whole community concludes to go barefoot in the interest of economy? If A, B, and C are thrown into the water together, it may be good policy for A, regarding only his interest as an individual, to keep his own head above water by pressing B and C down; but if B and C practise the same policy, and try to keep their respective heads up by pushing their fellows down, it is easy to see that the total elevation of the heads of the three will not amount to much.

As, among individuals, the one who economizes may grow rich at the expense of those who are lavish or extravagant, so an economical nation may grow rich at the expense of other nations. Just at the present time the nations of Europe are giving the United States such an opportunity to gain at their expense, and if they will buy enough of our products to keep our people all employed, there will be an opportunity for us to gain by economizing. But those who extol the merits of economy do not limit its good effects to any such special circumstances as those just mentioned. They claim that it is good for everybody; they recommend it not as a selfish policy, to be practised by those who want to get ahead of their fellows, but as a policy calculated to promote the good of the whole. They recommend it to Europe as much as they do to America. They say to the whole civilized world: "You have been wasteful and extravagant; you must do what the individual does when he has been extravagant; you must deny yourselves many things you would like to have, and all will

come right in a little while." This remedy may have been an efficacious one in many former times of distress, but how can it help us *now*, when the great trouble is that people are *idle*? If the cause of the present trouble really were past extravagance and waste, ought it not to be easy for all to find something to do toward repairing that waste and making up for that extravagance? The usual result of extravagance and waste is not an extra supply of goods for which no use can be found, but a *scarcity* of the things that have been wasted. We see nowhere, however, at the present time any symptoms of such a scarcity. If there were a scarcity of any article, how many laborers, now idle, would hasten to busy themselves in the production of that article? How much capital, now vainly seeking profitable employment, would hasten to supply those laborers with all needed factories and machinery? Are we not entitled to conclude that our troubles have *not* been caused by past extravagance, and that the remedy for those troubles is *not* to be found in the general practice of economy?

HERETIC.

This communication appears to have attracted considerable notice. The author was informed by the editor of the "Advertiser" that fifteen answers to his communication were received by that paper, all of which controverted his arguments and conclusions. Three of these answers were printed in the "Advertiser," and an editorial article summed up the different views that had been presented, and concluded that "Heretic" had gone badly astray. In answer to these criticisms the next communication was written; but the "Advertiser" had had for the time enough of the subject, and the communication was committed to its waste basket.

THE EFFECT OF ECONOMY.

I DO not see that you or your correspondents answer the question that I proposed. I have made no question as to the beneficial results of economy in the past, both to the individual and to the world at large. I have made no question as to the possibility of gain to be derived by an individual from personal economy now. My inquiry was for some practical explanation of the process by which *general economy* will help the world *under its present peculiar circumstances*. I suggested that the chief trouble at present is that laboring people cannot find employment, and that any increased economy on the part of the community will naturally tend, by decreasing consumption, to increase rather than to diminish this trouble. This is a result which lies on the surface, — the dullest mind can perceive it, — I ask for an explanation of the more hidden working of things by which this result may be prevented and the opposite one produced. One of your correspondents says that when the general love of economy induces people to go without shoes, the shoemaker “must seek some other employment.” But under such circumstances as the present, wherever he turns, he will find that in each field of employment the general economy has made fewer laborers necessary, — that there are superfluous tailors, hatters, grocers, teamsters, and farm hands, as well as superfluous shoemakers. Another of your correspondents says that the answer to the question, what the superfluous shoemakers shall do, is “easy.” “They have their own wants to satisfy, they can turn to producing for themselves.” Producing what? Are they to endeavor to return to the mode of life of that long past time when a man and his family supplied all their own wants directly by their own labor, fed themselves with the products of their own tillage, and clothed themselves in homespun? Even if such a return to the habits of his ancestors were possible for the laborer of

to-day, would it be an advance or a retrograde movement? Would not such a course be simply an abandonment, by those who were driven to adopt it, of the advantages and comforts of modern civilization? Indeed, would not general economy, if pushed to an extreme, amount simply to the general practice of denying ourselves the enjoyment of those comforts and charms of life which we owe to modern civilization?

It is said however that, if we all economized, — if we ceased to consume as much as we do of the products of labor, — we might employ our labor in adding to the world's "stock of wealth." This sounds well, but I think I am entitled to ask how this is to be done at the present time? After all the shoes and clothes that there is any demand for have been produced, will it increase the wealth of the world to lay up stores of those articles, to moulder and decay before they can be used? Will it increase the wealth of the world to build factories, railroads, and ships, that must be left to ruin and decay because there is no work for them to do? If there is a possibility of increasing our stock of wealth at the present time, how is it that the idle laborers, who are now so plenty, — that the idle capital which is now so abundant, — do not set about the work? The answer to this question involves the solution of the whole difficulty. If any man, who has sufficient means to meet the expense, will build a new house for himself and thereby give many laboring men employment, he certainly will not be "economizing," but he will increase the world's "stock of wealth." Economy would teach him to remain satisfied with his old house, and not to spend money for a new one. Economy frowns on his proceeding, but he adds a new house to the world's stock of wealth, and gives employment to laborers who would otherwise be idle, and, by the wages that he pays to those laborers, he enables them to consume the products of the labors of others, who are in their turn kept in employment; and thus the good effects of his uneconomical conduct spread in ever widening circles through the whole community. Let it be distinctly understood, however, that I do not claim that it would not be better for the community that the labor expended in building the supposed house should

have been expended in erecting a factory, or in building a ship or a railroad, if there were not already a superfluity of those articles,—that it would not be better that the money of the capitalist should find what we may call a “profitable investment,” if any such investment were to be had. But to-day there is a dearth of such investments. A new factory not only produces no profits, but, by competition, destroys the profits of the old ones. Superfluous articles that nobody wants are not wealth. Let the economist point out, if he can, how the idle thousands can, to-day, be employed in producing “wealth,” except through such uneconomical measures as the creation of new comforts and new luxuries for those who are able to pay for them.

HERETIC.

A more labored attempt to state the author's views was next made, resulting in the following article, which appeared in the “Atlantic Monthly” for December, 1878.

SAVING VERSUS SPENDING.

THE “HARD TIMES:” TWO THEORIES AS TO THE CAUSE AND
THE REMEDY.

WHEN the present “hard times” are discussed, two wholly antagonistic theories are advanced as to their cause and as to their remedy. On the one hand, it is claimed that the real cause of our trouble is that we have been extravagant and wasteful, and that, in order to make good the waste of the past, we should now be as saving and economical as possible.¹

¹ Thus in an article by Prof. Bonamy Price in the “Contemporary Review” for April 1877, (p. 787), we find the statement that the cause of the general depression in business “is one and one only, — over-spending, over-consuming, destroying more wealth than is reproduced; and its necessary consequence, poverty. This is the real *fons mali*, the root of all the disorder and the suffering, the creator of the inevitable sequence of cause and effect.”

On the other hand, it is said that the cause of our present distress cannot be past extravagance and waste, for such causes ought to lead to a general *scarcity*, rather than abundance, of the products of labor; that the most peculiar and conspicuous symptoms of the present distress are the large stocks of all kinds of goods which have been waiting for consumers, and the large numbers of people who have been unable to find employment; that saving and economy on the part of those who are not compelled to such a course by poverty will increase rather than diminish the amount of unsalable articles and the number of the unemployed, and will injure our condition rather than improve it; and that, consequently, a liberal expenditure of public and private resources is not to be condemned, but encouraged. In order to judge fairly as to the respective merits of these two theories, it is well to consider what the true purpose of saving is, and to what extent the policy of saving may reasonably be carried.

FUTURE SPENDING THE ONLY RATIONAL OBJECT OF PRESENT
SAVING.

From the point of view of the political economist, there is no virtue in saving except so far as some material benefit may be expected to result from it, and it is impossible to suggest any such benefit other than the acquirement of the means, either for ourselves or for others, of future spending. We refrain from consuming to-day all the fruits of to-day's labors only that we, or those in whose welfare we are interested, may be able to enjoy the benefit of an increased consumption in the future. All the saving of the generations of the past has been a profitless loss of comfort and enjoyment, unless the present and the future are to derive from the results of such saving increased comfort and increased enjoyment. And so, also, it is profitless and unreasonable to save in the present, except that there may be greater opportunity to enjoy and spend and consume in the future.

THE MEANS BY WHICH PRESENT SAVING AIDS FUTURE
SPENDING.

If, then, we conclude that the only reasonable object of saving is the acquirement of the means of future spending, we are led next to consider the ways in which saving can promote this object.

The simplest way, of course, is by the accumulation and storage for future use of food, clothing, etc. At the present day there is comparatively little room for the operation of this method. Formerly it was wise to lay up large stores of grain, for example, in order to guard against a bad season; but now, when any portion of the world can call upon all the other portions for a supply of any article of which it may find itself temporarily in need, the accumulation and storage of more than a year's supply of any article of daily consumption is ordinarily useless, and tends, on the whole, to loss rather than to gain.

The principal and most effective method of providing by present saving for future spending is through what economists have called "productive consumption;" that is, by employing labor, not directly in the creation of articles for immediate use, but in the creation of articles which will be the cause and means of further production, as in the making of tools and machinery with which labor may be aided in its work and rendered more efficient. Plows and other simple agricultural implements were among the earlier results of productive consumption; factories, railroads, and steamships are among the more important of the later ones. Through these means saving, by immensely increasing all kinds of production, has immensely increased all kinds of consumption, and the self-denial of our ancestors has given us all our factories, railroads, and steamships, and has enabled us of to-day to enjoy ten or a hundred fold the comforts and luxuries that would have been possible had that saving not taken place.

THE LIMIT OF THE POWER OF SAVING TO AID FUTURE SPENDING
THROUGH PRODUCTIVE CONSUMPTION.

Productive consumption being found to be the chief means through which saving can accomplish beneficial results, it next becomes important to consider whether there is any limit to the good that saving may effect in this way, and, if there is such a limit, to determine where it lies. But as we have seen that the only rational object¹ of productive consumption is the creation of articles of ordinary or unproductive consumption, the extent to which the former can reasonably and profitably be carried must be limited by the existing or anticipated amount of the latter; and as the *unproductive* consumption of a community is always dependent upon and limited by, first, the desire to consume unproductively, and, secondly, the ability to obtain the articles for such consumption, the extent to which *productive* consumption can at any given time be profitably carried must be limited in the same way.

As society is at present constituted, however, the unproductive consumption of a large part of the community is limited solely by the extent of their ability to obtain the articles of consumption, without reference to the extent of their desire to consume. Large numbers of the poor are compelled by their necessities to consume unproductively all that their wages enable them to purchase, and it is chiefly the wealthier classes whose will or choice has any power to influence, at any given time, the amount of unproductive, and through it the profitable amount of productive, consumption. The wealthy may, according to their own desires, claim for themselves more or less of the comforts and luxuries of life; and if all who have this power should choose to deny themselves all comforts and all luxuries, and to restrict themselves to absolute necessities, the unproductive and, *as a necessary consequence*, the productive consumption of the world would, both of them, be greatly reduced. There would be comparatively little use or occasion for facto-

¹ The final, not the immediate, object is of course here referred to.

ries, railroads, and steamboats, or for any of those things which the wealthy seek to own as "profitable investments." It follows that if the rich, either from a desire to grow richer, or from a desire to favor productive, as more useful or more worthy than unproductive, consumption, should generally adopt a policy of extreme self-denial, they would defeat their own ends, and, by destroying the opportunities for profitable productive consumption, make themselves poorer instead of richer than before.

REVIEW. STATEMENT OF THEORETICAL CONCLUSIONS.

We have seen that saving is to be approved only so far as it leads to subsequent spending, and that it does largely accomplish this result, mainly by affording opportunity for productive consumption ; but that, as the extent to which productive consumption can at any given time be profitably carried, is limited in a great degree by the extent to which men, and especially the richer classes, *abstain* from saving, it is possible that this much-extolled policy of saving may be carried to such a point as to destroy the efficiency of the principal means by and through which it can promote its only rational object, future spending ; and that, consequently, when carried to this point, it ceases to effect any good result, but rather tends to defeat the only ends for which it may rationally be practised at all.

APPLICATION OF THEORY TO THE FACTS.

Having shown theoretically that saving, though generally beneficial and worthy to be encouraged, may possibly be carried too far, — so far indeed that its benefits will be changed to injuries, — we are now prepared to examine the circumstances of the present times, in order to learn whether the indications are that the tendency to save is to-day deficient or in excess.

It is very evident that productive consumption is now and for some considerable time has been quite unprofitable ; that factories, railroads, steamships, and warehouses bring very small returns to their owners ; that the market-rate of interest has been, and still is, unprecedentedly low ; and that capital

has long been wholly at a loss as to how it should employ itself. These facts surely indicate that the field for profitable productive consumption has been for the time nearly exhausted ; that its temporary limit has been nearly reached ; and that a larger amount of unproductive consumption is required before that limit can be advanced. The correctness of this conclusion is plainly shown, also, by the surplus stocks of all kinds of products and manufactures which are now, and have long been, waiting for consumers, and by the enforced idleness of the thousands of laboring men who have found that their labor was not in demand for the supply of either productive or unproductive consumption. Then, again, the hard times have been felt most seriously in England, America, and Germany, while France has been substantially exempt from them ; the explanation being that France, having had its territory devastated by war, and its capital depleted by the subsidy paid to Germany, has had large room for productive consumption, and small capital to devote to it ; and hence productive consumption has there been very extensive and very profitable. All available capital has been employed, and the laborers have all been busy ; those who have been released from supplying unproductive consumption having been in demand for the supply of a profitable productive consumption. Germany, however, undertook to grow rich by devoting the millions of the French subsidy to productive consumption, which was thereby carried to such an excess that its profit was destroyed. And thus we find a simple explanation of the otherwise inexplicable mystery of the prosperity of the vanquished and the distress of the victorious nation, after their recent tremendous struggle.

RECENT EXPERIENCE OF THE UNITED STATES.

The history of the United States during and since the war affords an illustration of the way in which productive consumption may be overdone, — built up to an extent too great to be supported by its always necessary substructure of unproductive consumption. During the war unproductive consumption was carried on to an unprecedented degree, and the effect

was that the opportunities for productive consumption also were very largely increased, and, by consequence, rendered very profitable. There was an urgent call for every man's labor. No one who wished to work was allowed to remain idle. Every man who wished to save, to accumulate wealth, found all about him opportunities for so doing. These extraordinary inducements to exertion kept every man's industry up to the highest point, so that the production of the country was marvellous, and, although there was an immense waste in the war, there was still a large surplus of products, — sufficient to enable the great mass of the community to consume much unproductively for their own immediate comfort, and yet to leave the country, at the termination of the war, at least as full of buildings, factories, and railroads as it was at the beginning.

When at length the war ceased, everything was arranged to meet an immense demand for unproductive consumption. If our people could then have said to themselves, "Now that this great waste of the war is at an end, we can enjoy much more of the comforts and luxuries of life than before; indeed, we *must* do so if we would keep our machinery employed and our people busy," — if they could have said this, and could have acted accordingly, all would have gone on smoothly. But in fact they, or those of them who by their wealth had the power to act according to their own desires, did say, in effect, "We have got rid of this sad waste of the war; we have been getting rich in spite of the waste, but now our possibilities of enriching ourselves are far better than before; we will not sit down just yet to enjoy ourselves, but will postpone for a while our days of enjoyment and of ease, in order that we may first add a little to our wealth." The failure of this attempt of our rich men to become richer lies before us to-day. Their factories had been very profitable, and they sought to increase their profits by building more factories. Their railroads had returned them large dividends, and they sought more dividends of the same kind by more railroads of the same kind. But it never occurred to them that unless a new unproductive consumption arose, to take the place of that which had ceased with

the war, even the *former* amount of productive consumption would be too great to supply the wants of the people, and that, for the profitable support of their *new* factories and *new* railroads, a still further increase of unproductive consumption would be needed. They contributed, as has been said, but little themselves to this needed increase of unproductive consumption, and as the poor found but little opportunity or possibility of contributing to it, that increase was never brought about; and it soon began to be perceived that productive consumption was overdone, and that its profit was for the time ruined and lost. Factories of all kinds produced immense stocks of goods which could not be disposed of; their owners competed with each other, and sold their goods at less than cost, and finally, in many cases, shut up their factories and discharged their hands. Then we began to have an actually *diminished* unproductive consumption, where we had needed an increased one. The rich, having lost their "income," felt that they must "economize." The poor, having lost their employment, were forced to do so. This universal economy increased, by its reaction, the original trouble, and thus we went on from bad to worse, until it seemed that we were on a road that led, without any turning, straight to destruction. To-day, however, we are hoping, as indeed we have hoped before, that we perceive signs of a change. The nations of Europe, by their wars and preparations for war, have been indulging in an increased amount of unproductive consumption, and have been calling upon us to supply the materials for it. The farmers of the West and some of the manufacturers of the East have begun to feel again that they may increase their expenditures for daily comforts and daily luxuries; and as their demand for such things increases, we may hope that the machinery of production will get once more in profitable motion, and, by employing those now unemployed, will call forth still further demands for articles of daily consumption. As daily consumption increases, the labor of all men will gradually be brought into action, and we shall have once more a busy and happy people, all at work, and all enjoying the fruit of their labor; and not, as we have seen them within the past few years, one half idle, while the other

half were engaged in a futile attempt to save and lay up for the future more than the constitution of human affairs allowed them to accumulate with any profit either to themselves or to others.

EXPERIENCE OF THE DUTCH AND THE ENGLISH.

Upon reviewing the history of the past, we find that the present is not the first time that productive consumption has approached near its limit,—not the first time that the thrift of a people has been so great that they have nearly exhausted the field of profitable productive consumption. In former times the Dutch were a very energetic, industrious, and thrifty people, and in their days the machinery for aiding production was comparatively limited. Their means of productive consumption were confined mostly to the building of ships and the carrying on of foreign commerce; and they were so desirous of acquiring wealth that they exhausted their opportunities for productive consumption to such a degree that their investments produced for them but a very small percentage of profit, as is shown by the low rate of interest that ruled among them.

So also the immense wealth that England has acquired by the thrift of her richer classes has made her home productive consumption, for many years, bring so little profit that the rate of interest that borrowers can afford to pay, and that lenders are glad to take, has long been very low. In fact the greater part of the surplus wealth of England has for many years been applied to increasing the productive or unproductive consumption of foreign nations, induced thereto by their often illusory promises of future return for present benefits.

EFFECT OF MACHINERY TO INCREASE THE POWER OF PRODUCTION.

The great improvements in machinery and in the means of communication and of transportation, which have been brought about within the last fifty years, have marvellously increased mankind's power of production. A comparatively small

number of laborers could to-day supply all the wants of mankind, if those wants had not, within those fifty years, largely increased; and it is only because those wants — that is, the demand for consumption — have largely increased that the majority of mankind are not to-day idle instead of busy. That demand, however, has not kept pace with the supply, for the reason that the power of increasing the demand has come principally to the rich, and but slowly to the poor; and this power of the rich has, by their choice, been turned to the increase of the demand for productive consumption, — for factories, railroads, and warehouses. This, as we have seen, they have carried to such an extent that productive consumption has been overdone, and its profits reduced to a very small percentage.

It seems probable, indeed, that in the future the rate of profit of productive consumption will be permanently diminished, wealth increasing, on the whole, more rapidly than the possibilities of its profitable investment; and as this result is developed, we may expect that wealth will turn itself more to the acquisition of things which, although not productive of income, are a permanent source of comfort or pleasure to their possessors; that there will be an added tendency to spend large sums in the purchase of land, in the erection of residences, and in the purchase of paintings and other works of art. And although the opportunities for increased unproductive consumption come first to the rich, they must extend speedily to the poor. All that is needed is that the poor shall be kept busy, and the rest will take care of itself.

Just at the present moment the poor are strongly tempted to try desperate remedies for the improvement of their condition. They see a world overflowing with good things; they are anxious and willing by their labor to increase the supply of those good things, and to earn the right to share in the enjoyment of them; but they are forbidden to touch them, although they are going to waste before their eyes. What wonder that they think that there is something rotten in a constitution of affairs that brings about such a result? What wonder that they are ready for desperate remedies? But let us have once

more the work of consumption and production in full action, — a world full of busy men consuming the products of their own labor, — and the talk of communism, instead of being, as now, largely prevalent among the laboring classes, will again be confined to a small number of persons, partly theorists, and partly men who are discontented by reason of failure caused by their own incapacity or folly.

GENERAL CONCLUSIONS.

The preceding arguments would seem to show that, in the present constitution of society, the world, in order to be prosperous and happy, must be busy both in producing and in consuming the products of its own labors; and that if those who have by wealth acquired a control over labor do not use that labor, either selfishly in ministering to their own present comfort and enjoyment, or generously in ministering to the comfort and enjoyment of others, we shall necessarily have a more or less idle world, in which the rich *will* not, and the poor *can* not, enjoy themselves as they reasonably might. Mankind's power of production is now immense compared with what it has been in the past, and consequently its power and possibility of enjoyment of life are equally large; and it is certainly an important question whether mankind may wisely and profitably avail itself of all its varied possibilities of rational enjoyment, or whether its present duty lies chiefly in the direction of self-denial. The latter doctrine is continually preached to us, and we are constantly told that we must deny ourselves present enjoyments if we would regain our lost prosperity. But if the arguments adduced above are sound, there is to-day neither merit nor prospective benefit in increased saving; there is nothing but evil and loss in abstaining, more than we have been and are doing, from the consumption and enjoyment of the good things of life.¹

¹ The following references to works on political economy are given for the benefit of any who may wish to read what has been written by others upon the subject considered in the above article. Much of what is referred to below was written with special reference to the condition of England after the termination of its wars with Napoleon, — the condition of England at that time having been very

similar to the recent condition of the United States, and the problem, then as now, being to explain a general distress in the midst of a general overplus of all kinds of products.

Wealth of Nations, by Adam Smith: Book I., chap. ix., Of the profits of stock: Book II., chap. iii., Of the accumulation of capital, or of productive and unproductive labor. Principles of Political Economy, by Rev. T. R. Malthus: chap. vii., s. 3, Of accumulation, or the saving from revenue to add to capital, considered as a stimulus to the increase of wealth; s. 10, Application of some of the preceding principles to the distress of the laboring classes since 1815, with general observations. Political Economy, by Dr. Thomas Chalmers: chap. iii., On the increase and limit of capital; chap. v., On the possibility of a general glut. Treatise on Political Economy, by Jean-Baptiste Say: Book I., chap. xi., Of the formation and multiplication of capital; chap. xv., Of the demand or market for products. Letters to Mr. Malthus on various subjects of Political Economy, particularly on the Causes of the General Stagnation of Commerce, by Jean-Baptiste Say. Principles of Political Economy and Taxation, by David Ricardo: chap. xxi., Effect of accumulation on profits and interest; chap. vi., On profits. Elements of Political Economy, by James Mill: chap. iv., s. 1, Of productive and unproductive Consumption; s. 3, That Consumption is co-extensive with production. Principles of Political Economy, by John Stuart Mill: vol. i., Book I., chap. v., Fundamental propositions on capital, s. 3; chap. xi., Law of increase of capital, s. 4; vol. ii., Book III., chap. xiv., Excess of supply; Book IV., chap. iv., Of the tendency of profits to a minimum; chap. v. Consequences of the tendency of profits to a minimum. Chapters on Political Economy, by Prof. Bonamy Price: chap. iv., Capital. The Economy of Consumption, by Robert Scott Moffat. Principles of Political Economy, by J. R. McCulloch: Pt. I., chap. ii., s. 3, Accumulation and employment of capital; chap. vii., Causes of gluts; Pt. III., chap. vii., Circumstances which determine the average rate of profits; Pt. IV., Consumption of wealth. Article on Industrial Reconstruction, by Edward Atkinson, in the International Review for July-August, 1878.

The preceding article in the "Atlantic Monthly" elicited two communications in the "Contributors' Club," in the numbers of that magazine for March and April, 1879. Both of these communications sought to expose what they claimed to be the fallacies of the author of "Saving versus Spending," and the author can now recall no printed notice of that article, however brief, that treated it with any favor or respect.

Not entirely discouraged by the reception given to his article, the author ventured again, in February, 1880, to write and offer to the editor of the "Atlantic" a second article, which, however, did not succeed in obtaining admission to the columns of that magazine. This second article was entitled "The Return of Prosperity," and is here given in full, as originally written.

THE RETURN OF PROSPERITY.

IN an article entitled "Saving versus Spending," which appeared in the "Atlantic Monthly" for December, 1878, an attempt was made to prove the fallacy of the generally accepted theory, that there is no limit to the extent to which saving may profitably be carried. Arguments were also adduced tending to show that the area of the field for the profitable investment of capital is always limited by and dependent upon the existing amount of unproductive consumption, and that the natural effect of an overcrowding of this field is to diminish consumption, both productive and unproductive, and to cause a general depression in business, and idleness and suffering among the laboring classes.

When that article was written, business in this country was sadly depressed,—large numbers of laborers were out of employment, and there was only the beginning of a hope for improvement. Now that hope seems to be in process of realization,—the whole country appears to be in the full tide of success; the poor man finds again that his labor is in active demand, and the capitalist discovers that his investments are beginning once more to produce profits. We propose in the present article briefly to examine into the manner in which this great change has been brought about,

and to discover what further changes we may expect in the future.

In the article before referred to, it was claimed that the immediate cause of the "hard times" was not, as was generally supposed, that there had been *too much*, but rather *too little* spending, and that what was specially needed was that in some way the general consumption of the products of labor should be increased, and thereby the demand for labor extended and general idleness substituted for general idleness. Just such an increase in consumption and in industry, as was then claimed to be needful, we have within the last two years seen actually taking place. Apparently the primary increase in the consumption of the products of this country came from abroad. The nations of Europe found that they had need for much of our crops and for many of our articles of manufacture, and the demand arising out of these needs gave the initial impulse that was requisite to start us in our career of prosperity,—it not only put money into the pockets of our farmers and manufacturers, but it also, by the increased need of transportation, gave employment to our railroads and to our carriers of all kinds. Hence it resulted that farm owners and farm laborers, factory owners and factory hands, owners of railroad stock and railroad employees,—all these and many others found themselves with an increase of income,—of the power of spending and consuming; a large portion of which increase they promptly availed themselves of. Their increased expenditures gave employment and income to many others in various walks of life, and the prosperity and increased expenditures of these extended again to a still larger circle, till the good effect has spread to all classes, and to-day we find on all hands general industry and general prosperity; railroads and factories reporting increased profits,—merchants and storekeepers finding their business gaining not only in amount but in profit,—mechanics and laborers finding regular employment and regular wages,—and all, rich and poor, spending freely out of their increased means. The general increase of unproductive consumption thus caused has widened the field for productive consumption,—for

dividend paying investments. New factories, new railroads, and new buildings are called for on all sides; capital no longer is at a loss where to place itself, but is everywhere in demand, and is attracted by the most alluring promises of almost fabulous gains, and, like the mercury in a barometer after a storm, the current rate of interest rises.

Such has been the course of events in the past few years. What may we expect in the years to come? It would seem that, if we do not waste our golden opportunities by indulging in follies, such as wars, riots, and revolutions, a great change for the better in the general condition of the whole people may at once be looked for. Some twenty years have now passed without any very marked advance in the comforts and luxuries of living. In these twenty years, however, very many labor-saving inventions have been made, and the means for the interchange of products between different parts of the world have been greatly improved. The world might to-day be supplied with all the comforts and luxuries that it enjoyed twenty years ago with an expenditure of two thirds, if not of one half, of the labor then required. For twenty years the productive powers of this country have been largely and rapidly increasing, while from several causes, such as the war of the rebellion, and the over-investment of capital and the consequent general idleness that followed it, but little of the increased enjoyment of life that should have resulted from these increased powers, has been felt. Now, it seems probable that, with universal industry directed to useful ends, we are about to leap at once into the full enjoyment of the beneficial effects of powers that have for years been rapidly and largely expanding, without producing their legitimate effects to any considerable extent.

What new comforts and luxuries this great increase in the productiveness of labor will bring to our people, and in what manner the new good things of life will be distributed, it is not easy to say. On some points, however, we may indulge in plausible anticipations. It would seem that better and more varied *food* will be placed within the reach of all classes. The immense numbers of cattle raised in the West and the

extent to which their transportation is even now carried, show that beef will henceforth be a common article of food to thousands to whom it has hitherto been unknown. Fruits, such as strawberries, grapes, peaches, and pears, are now spread broadcast over the land in such quantities that their use can no longer be confined, as a luxury, to the rich. In the matter of *clothing*, also, we may expect a great advance in the condition of the poorer classes. Machinery now creates all articles of clothing of so good a quality and with so little aid from human labor, that it will take but a small fraction of the wages of a laboring man to clothe himself and his family, not only warmly and comfortably, but also with a regard to appearances which heretofore could be thought of only by the rich. In other matters also, besides food and clothing, we see that the tendency of the times is to an improvement in the condition of the masses, and that it will by no means be within the power of the rich to monopolize the gains that should be distributed among all. The great movements of the present day are towards improvements that affect all classes. Aqueducts, sewers, public parks, and horse railroads may be mentioned as among the most important of the new things which command the attention of the public, and these are no exclusive luxuries of the rich, but the common comforts and delights of the whole people.

As, in the years to come, the comforts and luxuries within the reach of the laborers' wages increase, and as capital grows faster than the field for its profitable investment extends, so that the percentage of income from accumulated capital diminishes, the capitalist and the laborer will find themselves daily approaching more nearly to an equality. Relatively to each other, the laborer's wages will increase in purchasing power, while the capitalist's income will diminish. The power of each class to spend, — to employ the labor of others, — will approach an equality, and society will make a decided advance towards that ideal condition in which each man's power to command the comforts and luxuries of life will depend, not on the chance of birth and inherited wealth, but on the extent of his own powers and of his own willingness to produce,

by the labor of his hands or of his brain, things useful to his fellow-men, — that condition of society in which the degree of a man's worldly prosperity will depend on his own ability and industry.

In October, 1883, the United States Senate Committee on Education and Labor gave in Boston several hearings to persons desiring to present views on the subject which the committee had been appointed to consider. The following letter was sent to Hon. H. W. Blair, the Chairman of this Committee.

BOSTON, 21st Oct., 1883.

SENATOR BLAIR,

DEAR SIR, — Understanding through the papers that you are not unwilling to receive written suggestions relative to the subject of Capital and Labor, I venture to write this short abstract of certain views of my own.

When we speak of Capital in connection with Labor, we generally have in mind that portion of Capital which seeks a profitable investment, — that which the owner does not invest in a dwelling, for instance, for his own use, but in a factory or railroad which shall bring him annual returns.

No investment of capital can be *profitable*, — *i. e.* produce annual returns for the owner, — except so far as the people are spending. If the poor, through their poverty, *can't* spend, and the rich, through their desire to be richer, *won't* spend, the field for the profitable investment of capital must be very small. The call for the products of the factories will be limited to comparatively few articles, — the railroads will have but little merchandise and but few passengers to transport. Under these circumstances capital will be abundant, but unable to find any employment that will return a profit. At such a time the capitalist can of course produce articles which he can dispose of in charity, but nothing which he can sell at a profit. Consequently he will cease to employ his capital, and laborers will find that they have no work to do. We shall have "hard times," — hard for all, rich and poor, — the rich will be without income, and the poor without employment.

One conclusion to be deduced from the foregoing is this, — that the larger the wages that the laborer receives, the more he can spend, and the greater consequently will be the field for the profitable investment of capital. On the other hand, the smaller the wages of the laborer, the less he can spend, and the smaller will be the field for the profitable investment of capital. In other words, the more generous capital is to labor, the more will capital itself prosper; and the more niggardly it is, the more it attempts to monopolize the profits, the more likely it will be to find that all profits have disappeared.

Jay Gould doubtless feared that his dividends would cease if the recent strike of the telegraph operators should succeed, but their success would have meant an increased expenditure by many thousands of people, an increased demand for many articles, the supply of which would have afforded Gould and his friends new fields in which to seek for profits, and would also have given to his railroads, already built, more work to do. Thus, by the success of the strike, Jay Gould might himself have gained more than he could have lost.

The true interests of capital and labor, then, are not adverse but harmonious. Each, in helping the other, advances its own welfare. Each, in attacking the other, injures itself.

Hoping that you will be able to find time to read with care what I have written, I am,

Yours respectfully,

URIEL H. CROCKER.

Shortly afterwards the following appeared in the "Boston Daily Advertiser" of Nov. 24, 1883.

OVER-PRODUCTION.

A continually recurring subject of discussion is the alleged over-production in various branches of business. The general testimony seems to be that at the present time the principal

branches of manufacture in this country have been producing in excess of the demand for consumption, and that, consequently, factories are being closed and laborers thrown out of employment. It is usually assumed, however, that a general over-production in all branches of labor is an impossibility, the argument of Mill to prove the impossibility of a "general glut" being accepted as conclusive and final. No matter how strongly the facts may seem to support him who argues the possibility of general over-production, the political economist complacently waives him aside as one who suffers himself to be bewildered by a long-ago exploded fallacy. The political economist will admit that there is an over-production of certain articles, but he insists that, at the same time, there must be, and consequently is, an under-production of other articles. It is useless to ask him what those articles are, the demand for which is in excess of the supply, or why the shrewd owners of the immense amount of capital seeking profitable employment cannot discover and supply this demand. He is wholly undisturbed by the apparent inconsistency of the facts with his theory, and plants himself, as on an immovable rock, on the argument of Mill.

It is often well to re-examine the foundations of our beliefs; and it may not be a waste of time to test the validity of the arguments of even so acute a reasoner as Mill. I propose, at any rate, to make the attempt.

Mill's argument to prove the impossibility of general over-production is in substance this,—that no man will labor to produce any article unless he either wishes to consume that article himself, or is in want of some other article for which he can exchange it. Men do not, to any appreciable extent, labor for the mere pleasure of laboring. They labor either because they want the result for itself, or to exchange it for something which they do want. It is only an unsatisfied want that can induce a man to labor,—there can be no product of labor unless there was a want that induced the labor; and thus production must ever correspond to demand, and can never outrun it, and general over-production is in the nature of things impossible.

This argument is very plausible, but it overlooks one important consideration. A large portion of the want, of the demand of the community at the present day, is of a peculiar character. Men want what we call "profitable investments." In return for what they produce directly by their labor, or indirectly, by the use of their capital, they wish to acquire something that shall be to them a continuing source of income. Factories go on producing, not wholly because the owners and the laborers want other "consumable articles," such as food, clothes, etc. If this were so, Mill's argument would be unanswerable; demand and supply would be equivalent. But an important want, both of capitalist and of laborer, is the want to build and own more factories, — the desire for the opportunity and ability to produce more, that thereby they may acquire more income. Thus we find that the demand that has led to production, instead of being wholly a demand for consumption, has been in great part *a desire for increased production*. I do not overlook a certain increased consumption in the building of the new factory; but that is only incidental to the great end sought, — the increase of production with a view to the increase of income. What, however, becomes of Mill's argument when we once see clearly that production is induced, not only by the desire to consume, but by the desire to increase production. So far as it is induced by the latter cause, it may certainly get in advance of consumption; in other words, it may become general over-production, — it may cause what has been called a general glut.

So much for the theory of the matter, — the practical working of these principles is more easily traced. Let us assume a time of general prosperity, when business is thriving and goods find ready purchasers, when there is plenty of work for every one who wants work, and for capital ready employment with liberal profits. But a spirit of thrift is abroad; the desire to accumulate wealth is very strong, especially among the richer classes. The consumption of the poor is limited by their small wages, the consumption of the rich is limited by their desire to grow richer through economy. The rich own the machinery of production, and it has brought them large annual returns;

the more of such machinery they have owned, the larger has been their income. They have endeavored to increase their incomes by the creation of still more of this machinery. At last the machinery of production increases the supply of products beyond the limit of consumption, — a limit fixed, as before stated, as to the poor mainly by their ability, and as to the rich by their willingness to spend. More products are created than are called for. In the competition to sell, the profits of the seller disappear. Then at last the desire to increase the machinery of production disappears, — even the desire to keep the existing machinery at work, — laborers are thrown out of employment, and their capacity for consumption is greatly decreased thereby ; the capitalists fail to receive their usual income, and begin to feel that they must reduce their expenses. Thus the demand for the products of labor is diminished on every hand, distress and discontent are widespread, factories stand idle, railroads and steamships have few passengers and light freights ; capital is abundant, but unable to employ itself at a profit ; in a word, “ hard times ” have been brought about through over-production. Are we not travelling on this road at present ?

U. H. C.

22d Oct., 1883.

The preceding communication was soon followed by another which appeared in the New York “ Nation,” of Feb. 21, 1884.

THE CAUSE OF THE DEPRESSION IN BUSINESS.

SIR, — In your issue of this week you state that the present depression in trade has been caused by abnormal activity and over-production in certain branches of business, and that what is needed is a “ redistribution of employments.” This is in accordance with the accepted theories of political economy. If we would accept these theories, we must believe that the cause of the present troubles lies in the fact that we have been

busy producing the wrong articles; that we have produced what was not wanted, and have failed to produce what was wanted; and that all we have to do now is to turn round and produce the things that are really called for, and all will be well again. The difficulty with this theory is, that it requires us to believe that there are certain wants and demands now unsatisfied and unsupplied, not because of the lack of means to purchase, but because of the scarcity of the thing to be purchased. But if there are any productions of human labor that are now scarce, they must command high prices and furnish large profits to the producers; and any capital that might now be unemployed would be hastening to secure a share of those profits. As a matter of fact, however, there is in this country at the present time an immense amount of unemployed capital, and there are no symptoms that even the shrewdest and most enterprising of its owners have any idea that there is any possible field in which they can employ it with profit to themselves.

If, however, we consider the cause of our present troubles to be an abnormal activity and over-production, not in *certain classes* of business, but in business *generally*; if we consider that the wealthy and thrifty among our people have endeavored to do more business than the condition of the country permitted, to create more productions than the pecuniary ability of the rest of the community enabled them to consume, we have an explanation that fits the present state of the facts. A large portion of the community have been eager to accumulate wealth, to make profitable investments, to save up their income or their earnings, and put them where they should bring annual returns. People have seen that factories produced for their owners large profits, and they have forthwith proceeded to build new factories in the hope of securing for themselves similar profits. In like manner capital has hastened to build new railroads, to erect new warehouses, and to extend and multiply all branches of trade and business. But the fact has been overlooked that profitable business and profitable production cannot be increased indefinitely without a corresponding increase of customers and consumers. While there has been

recently an immense increase of production, the wages of the poor, which fix the limit of their ability to purchase and to consume, have not been largely increased, and the rich have sought rather an increased accumulation of wealth than a fuller gratification of their daily wants and desires. Thus, instead of one factory producing and selling at a profit a supply of products that rather fell short of than exceeded the demand for them, we have had two or three factories producing a supply much in excess of the demand, and consequently competing with each other in the endeavor to sell their surplus stock, and selling it at no profit or at a loss. Finally the factories have cut down the wages of their employees or have dismissed them altogether, and the capacity of the poor to purchase and to consume has thus been largely taken away from them, while the inclination of the rich in that direction has been lessened by the loss of their usual dividends, and thus the original mischief of over-production has been increased and intensified.

Briefly, the theory here suggested is this, — that our people have been trying to invest more capital profitably, to do more business, than their capacity and inclination to consume made possible; and that the result has been to seriously reduce that capacity and inclination, and to destroy the annual returns that capital hopes to receive from its investments and from business.

U. H. C.

BOSTON, Feb. 9, 1884.

This communication elicited a response from one "B. J. S." of Cincinnati, which was printed in the "Nation" of March 6, 1884. The following answer to "B. J. S.," was declined by the "Nation," on the ground that "to print it, with a chance of prolonging the controversy, would be just now an inconvenience."

GENERAL OVER-PRODUCTION.

SIR, — Your correspondent "B. J. S.," in your issue of March 6, while admitting the existence of a "general over-production," at the present time, claims that a remedy for our distress might be reached through a "redistribution of employments" that should divert the labor recently thrown out of employment to the production of food, — an article of which, as he admits, there is now no scarcity, but which the laborers have not sufficient means to purchase, and which, as "B. J. S." assumes, they might and should now produce for themselves. It must be admitted that such a change of employment might help those discharged factory hands and mechanics who could surmount the obstacles that lie in the way of their supporting themselves by agriculture. But many of them would perish in the attempt, and those who succeeded would find themselves in a much less comfortable condition in life than that which they had previously enjoyed. They would have gone back to that earlier state of society in which each family produced its own food and clothed itself in its own homespun. If we should all go back to that condition of society, the present difficulties of over-production, either general or special, would be unknown. Such an abandonment of the present division of labor, such a return to the old system under which every man supplied his own wants, would indeed be in one sense a "redistribution of employments;" but it is not such a redistribution as the political economist looks forward to for our relief from our present troubles, and it is to be hoped that we may find some way out of those troubles without being driven to it. Except on the above point "B. J. S." asserts nothing that I am not willing in substance to admit, — he admits the existence at present of a "general over-production." This fact it was a main purpose of my communication to maintain, in opposition to the accepted dogmas of the political economists.

U. H. C.

BOSTON, March 7, 1884.

The author's last effort has been the following, which found a resting place in the editorial waste basket of the "Nation."

THE FALLACY OF MILL'S ARGUMENT AGAINST THE POSSIBILITY OF GENERAL OVER-PRODUCTION.

SIR, — In your issue of March 13, you say, "It would seem, in spite of all that political economists tell us, as though the world had at last reached a state of general over-production, and not merely of disproportionate production." All that political economists have to tell us on this subject is based on the argument of Mill to prove the impossibility of what used to be called a "general glut." The apparent strength of this argument and the weight of Mill's name and reputation have caused his conclusions to be accepted as fundamental truths; but if, as you intimate, his conclusions do not agree with the facts, it may be well to look for the flaw in his argument. That flaw can, I think, be discovered and exposed.

Mill argues that no man produces any article unless he wishes to consume it himself or to exchange it for something else which he wishes to consume, and that, consequently, production can never as a whole exceed the demand for consumption. He who asserts the possibility of a general over-production is necessarily involved, according to Mill, in the absurdity of believing that large numbers of people will go on producing articles, which they do not want either to use themselves, or to exchange for other articles which they do wish to use. Mill says that the error of those who oppose his views 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 actually the case."

Just at this point, as it seems to me, the fallacy lies. Mill overlooks the fact that a very large portion of the production of to-day is prompted, not by the desire of the producers

to acquire any "consumable articles," but by their *desire to gain new productive investments*. They wish, not to consume, but to grow rich. The wish to sell their cotton cloth, for instance, not that they may apply the proceeds of the sale to the purchase of other "consumable articles," but that they may with those proceeds build new factories which shall produce still more cotton cloth; or, if they perceive that, by reason of the over-production of cotton cloth, such factories will not be profitable, they hold their funds idle and unemployed, waiting for a chance to make some other investment that will promise the return of regular profits. They produce "consumable articles," not that they may exchange them for other consumable articles, but that they may increase the machinery for the production of consumable articles, and thereby, of course, increase largely that production. The fact, then, that men go on adding to production, does not, as Mill claims, prove that they desire some consumable article which they are not already provided with,—they may have no such desire, and the sole motive which impels them to go on producing may be a desire to gain the power to produce still more. Thus the limit to production, which Mill fancied he saw in the failure of the desire to consume, disappears,—production is seen to be caused in great measure by a desire to increase production; general over-production becomes, not an impossibility, but a natural and probable result of the general thrift, of the general desire of our people to make profitable investments,—and theory is made to conform to the observed facts.

Boston, March 16, 1884.

U. H. C.

The author hopes that any who have taken the trouble to read the preceding pages will be satisfied that an earnest and long-continued, though as yet unsuccessful, attempt has been made to convince the public of the correctness of his views and theories. That these views, if correct, are important, is

vouched for by Mill himself, who says, speaking of the question of the possibility of a general over-production of commodities: "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." Still, as we have seen, our leading papers and magazines have not been willing to encourage the discussion of this subject. The author has not been alone in his efforts to ventilate it. Two other gentlemen, arriving at their conclusions independently of the author and of each other, have had experiences very similar to those before recited. Mr. Fred. B. Hawley, of Brooklyn, N. Y., published in the "National Quarterly Review" for July, 1879, an article entitled "The Ratio of Capital to Consumption," which contained views very similar to those presented in the preceding pages. This article was followed in the number of the same Review for October, 1879, by another entitled "The Rationale of Panics;" and Mr. Hawley published, in 1882, a book entitled "Capital and Population," in which he elaborated his views at greater length. Mr. Edward F. Sweet, formerly of Chicago, but now residing in Pittsburgh, Pa., has also endeavored to gain a public hearing for the exposition of similar views regarding general over-production. His principal article on the subject appeared in the "Chicago Times" of April 26, 1880. What other gentlemen may have been laboring in the same field the author of this pamphlet does not know. It should also be stated that Prof. Francis Bowen has advanced views in many respects similar to those advocated in these pages; as may be seen by consulting his chapter (c. 17) on "The rate of profit as affected by the limited extent of the field for the employment of capital: The theory of gluts" in his "American Political Economy," 3d ed. (1863). See also "Principles of Political Economy," by Prof. William Roscher, of the University of Leipzig,



Am. ed., translated by John J. Lalor (1882), Sect. 213, "Equilibrium between production and consumption;" Sect. 215, "Necessity of the proper simultaneous development of production and consumption;" Sects. 216 and 217, "Commercial crises in general;" Sect. 220, "When saving is injurious;" Sect. 221, "Limits to the saving of capital."

It may be well to close this pamphlet with a short summary of the propositions which it has been the author's object to assert and maintain. These propositions are:—

1. That saving is not always and under all circumstances beneficial.

2. That consumption and production are not necessarily equal, *i. e.*, not rigidly equal, but liable to fluctuations which may disturb their normal condition of equality.

3. That there may be general over-production, and that the arguments, which have been supposed to prove that it cannot exist, are fallacious.

4. That excessive saving with a view to profitable investment tends to cause general over-production.

5. That general over-production, when thus brought about, results in a reduction of consumption, and consequently in a reduction of production.

6. That when the amount of production is thus diminished, there is necessarily less work for producers, and, consequently, idleness among the laboring classes, dull business for the commercial classes, and diminished profit to be derived from capital,—in other words, we have commercial distress or "hard times."

The final conclusion of the whole argument is this: that saving, instead of being, as we have been taught, always and necessarily a good, may be carried so far as to be an evil,—so far as to cause distress among all classes, the rich as well as the poor.

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SUPPLEMENT

TO

“EXCESSIVE SAVING A CAUSE OF COMMERCIAL DISTRESS.”

CONTAINING MORE RECENT COMMUNICATIONS ON
THE SAME SUBJECT.

The following articles, which have been written since the pamphlet on “EXCESSIVE SAVING A CAUSE OF COMMERCIAL DISTRESS” was published, are now printed as containing the author’s latest and, as he is inclined to think, best statements of the theory which he has endeavored to maintain.

URIEL H. CROCKER.

BOSTON, June 20, 1885.

THE TRUE CAUSE OF THE HARD TIMES.

TO THE EDITOR OF “THE NATION.”

SIR,—It is generally assumed that there is no limit to the extent to which income-producing wealth may be accumulated. This is indeed practically true so far as the accumulation of such wealth by an individual is concerned; but when the possible amount of accumulation of income-producing wealth by the whole world is considered, we find that the problem involves a new element, and that a limit to that amount really exists. The chief kind of income-producing wealth known to modern civilization consists of the machinery or instruments of production and transportation. In other words, the principal way in which men at the present day can so use capital that it will bring them annual returns is by employing it in the creation of such machinery and instruments,—by building factories, railroads, steamboats, etc.

Then, as the products accumulated in the warehouses, we might next expect to see the factories, in their competition to sell their products, reducing their selling prices till at last they would be ready to sell at or below the cost of production. Then there would naturally come a reduction of the wages of the work-people, as the result of an attempt to reduce the cost of the products below the price at which they could be sold, or the factories might stop work altogether till their accumulated products could be disposed of. Then, as the wages of the work-people were cut down or ceased altogether, there would arise distress among the laboring classes, and as the natural consequence of such distress, strikes and labor riots. At the same time that the poor were losing their wages, the rich would necessarily be losing their dividends from their factories, railroads, and other investments; and these causes would force all classes to economize, and thereby the consumption of the products of the factories and the work of the railroads in the transportation of both passengers and freight would be largely diminished, the business of the trader and mechanic would fall away, and hotels, theatres, and places of amusement would languish. There would be an appearance of plenty in the markets, which would be filled with an abundance of the products of the field and of the factory; everybody would have something, either goods or labor, that he wished to sell, but comparatively few persons would be both able and willing to purchase. There would be a world full of factories lying idle, of railroads not paying their running expenses, of stores and warehouses standing empty, of banks overflowing with funds for which no investment could be found, and finally, and worst of all, there would be a world full of men and women able and anxious to engage in useful labor, but forced to sit idle and starving in the midst of the abundance by which they were surrounded. Is not all this exactly what we have seen in recent years and are seeing to-day?

In conclusion, do not the observed facts all agree with the theory that the hard times have been caused by an excessive desire to acquire income-producing wealth, by overdoing the creation of the machinery and instruments of production and

transportation? And does not this theory afford, what other theories have failed to do, a full and simple explanation of the causes of the distress from which the whole business world is suffering to-day?

U. H. C.

Boston, Feb. 16, 1885.

The above appeared in the New York "Nation" of Feb. 25, 1885.

THE CAUSE OF THE "HARD TIMES."

TO THE EDITORS OF THE BOSTON "DAILY ADVERTISER."

THAT the whole civilized world is now suffering from "hard times," is a proposition which no one will deny. It is generally admitted also that the most noticeable features of the present hard times are the excessive supply of products of every kind and the impossibility of finding full employment for factories and for workmen. In the case of an individual such results are usually caused by past extravagance; and people readily jump to the conclusion that the world's present distress must be due to a similar cause. Indeed the various theories which have been advanced to account for the hard times may generally be reduced to this proposition,—that the world is suffering the results of its past extravagance or waste.

When one says that the world has been extravagant or wasteful, he must mean that it has employed too large a proportion of its labor in the production of articles of daily comfort and of luxury, or of articles useless for any good purpose, and that it has neglected to maintain and make due additions to its capital,—that it has spent its income in high living or in folly, and has not kept up its principal. The world's principal or capital consists in the main of its machinery and instruments of production and distribution,—of its factories, railroads, ships, warehouses, etc.; and unless a large part of the world's labor had been in the past and were now yearly devoted to the creation and maintenance of these things, the civilization of to-day, with its comforts and its luxuries, would not be possible. The

remainder of the world's labor, not devoted to these purposes, has been, and is, employed in supplying the articles called for by what the political economist terms "unproductive consumption." When, therefore, it is said that the world has been extravagant and wasteful, it must necessarily be intended that too much labor has been expended in meeting the demands of unproductive consumption, and too little in building and repairing factories, railroads, ships, and warehouses and the other machinery and instruments of production and distribution, which consequently must be supposed to have become worn out and dilapidated, or, in case of their destruction by fire, not to have been replaced. If the world has applied a due proportion of its labor to the maintenance and increase of its principal, it cannot properly be said to have been extravagant, even though it has consumed unproductively all the remaining products of labor; for human labor can have no other final object than the promotion of the comfort and happiness of mankind.

We have seen, then, what must necessarily be the character of the results of past extravagance and waste. If, however, we look about us, not only are no such results apparent to-day, but the results actually existing are of an entirely different character. Instead of finding that our factories, railroads, ships, and warehouses have been neglected and suffered to become ruinous, or that they are insufficient in numbers, we now find that all these things are in excellent condition, and that the present embarrassment arises from the evident fact that there are not too few, but too many, of them. This condition of affairs cannot have had its origin in past extravagance and waste, — we cannot suffer in this way by reason of having used up all our income and neglected our principal. The results point clearly to causes of an entirely opposite character, — they suggest that the world has been devoting too much, rather than too little, of its labor to the creation of the machinery and instruments of production and distribution; that by reason of the desire of mankind to acquire such machinery and such instruments, in order to profit by the annual income ordinarily accruing to the owners thereof, the world has devoted itself too largely to the accumulation of such property; that the world's

readiness to produce has been out of all due proportion to its readiness to consume; in fine, that not excessive spending, but excessive thrift, has been the real cause of the present distress.

U. H. C.

BOSTON, April 12, 1885.

The above appeared in the Boston "Daily Advertiser" of April 15, 1885.

WHAT MAKES THE "BAD TIMES."

TO THE EDITOR OF THE "HERALD."

IN your paper of this morning, in answer to the above question, you say that the "bad times" have been caused by "overproduction," and that that in its turn has been caused by protective tariffs, which have interfered with the working of the "great law of supply and demand." This may appear plausible at first sight, but it would seem that those who attribute our present troubles to protective tariffs are bound to point out more definitely and more in detail than you have attempted to do, how such tariffs can cause overproduction, not only in the countries where they exist, but also in free-trade England, which has been suffering from bad times as much as the United States. This, I believe, you will find it difficult to do.

Another cause, the whole working of which may easily be traced, can, I think, be suggested for the bad times. Why not attribute the overproduction from which the whole civilized world appears to be suffering to-day, simply to the excessive number of factories that have been set in operation; and why not account for the fact that so many factories have been built, by that general desire for the accumulation of income-producing wealth which is prevalent in all the countries which have been suffering from the overproduction? This would afford a simple and easy solution of the whole mystery. If the world, in its desire to "grow rich," builds so many factories that their capacity of production is far in excess of the world's readiness

to consume their products, the natural and necessary result will be a general overproduction of those products. If the poor, by reason of the smallness of their wages, have but little money to spend in the purchase of the products of the factories, and if the rich, being inclined to put a large part of their incomes into new investments, are willing to spend but little on factory products, it is evident that the limit to the number of profitable factories will soon be reached. Indeed, as soon as that limit has been reached, and as soon as too many factories have been built, and there begins to be in consequence an excess of products, all the factories, the old ones as well as the new, will cease to be profitable, for they will begin to compete with each other in the attempt to get rid of their superfluous products; they will sell at the cost or even below the cost of production; they will cut down the wages of their operatives; they will work on half time or close up altogether, — they will do, in fact, just what we are hearing of their doing to-day all over this country and in Europe.

In answer to the question, "What makes the bad times?" my suggestion would be that it is the fact that the world's desire to get the profits arising from the manufacture of products has run ahead of its readiness to spend its money in purchasing and consuming those products; or, to put it more simply and broadly, that the world has proved itself more ready to produce than to consume.

U. H. C.

Boston, April 7, 1885.

The above appeared in the Boston "Evening Herald" of April 13, 1885.

THE BUSINESS FUTURE.

TO THE EDITOR OF THE "HERALD."

THERE is at the present time much speculation as to the future of business, and we are hearing many prophecies of better times soon to come. We all hope that these prophecies will be verified by the facts, but we should not delude ourselves with unfounded hopes. It is best in this matter to know the truth, whether it be pleasant or unpleasant. I therefore venture to suggest some considerations which seem to indicate that the commercial distress from which we suffered in 1884 is likely to continue and be intensified in 1885.

During the past summer and fall very many of our factories either reduced the number of laborers employed by them or stopped work altogether. They found that the demand for their products did not keep up with the supply, and they met the difficulty by attempting to reduce the supply to an equality with the demand. But one result of this course which our factories have taken has not been much considered. When thousands of laboring men are thrown out of employment, and thereby deprived of their regular wages, they necessarily cut down their expenses and abstain from purchasing many factory products which they would otherwise buy for clothing, household use, etc. If the manufacturers of cloth, for instance, have stopped their factories because they have found that they were producing more cloth than there was a demand for, the mere fact that many laborers have, by reason of that stoppage, been thrown out of employment will tend to decrease still further the already insufficient demand for cloth, and will also have a similar effect upon the demand for many other articles, the makers of which have been pursuing the same course as the makers of cloth. If, by reason of the stoppage of the factories, the corporations owning them cease to pay dividends, the stockholders in those corporations will begin also to curtail their expenses, and the demand for the products of labor will thereby be still further reduced. Of the stoppage of factories we have already had many instances. We are beginning to

hear of the cessation of dividends. During the year now just begun we ought to feel the effect of the loss of wages by the unemployed laborers and of the loss of dividends by the wealthier classes. If, during this year, large numbers of the laboring classes are forced to practise the strictest economy, and if the richer people economize also, because they find their incomes diminishing, must we not necessarily have a greater stagnation of business than we have yet felt? Shall we not find that our railroads are not doing sufficient business, either in passengers or in freight, to return them any profit? Will not our hotels suffer because people will feel so poor that they will abstain from travel? Will the masons, carpenters, and painters find any one ready to undertake the erection of new buildings after those now commenced have been completed? It would seem, indeed, that many men in every department of labor and business, in addition to those already idle, must soon be thrown out of employment; and every man thus forced into idleness will intensify the existing mischief by lessening still further the demand for the products of labor.

We see, then, that there is at the present time a tendency of things to go from bad to worse, and it is not easy to discover what is to counteract this tendency and cause matters to begin to mend. The "hard times" that culminated in this country in 1878 found relief in the call that Europe made upon us in 1879 for vast quantities of our crops. Large sums of money were thereby distributed among our farmers, who were thus supplied with the means of purchasing all sorts of products of labor; and our railroads, our factories, and our merchants were thereby given employment and business. Now, no such relief seems to be at hand. Large quantities of our crops will no doubt go to Europe, but the produce of our soil has this year been so abundant that our farmers, in their competition to sell, have been forced to dispose of their produce at prices which will leave them little or no profit. When the farmer counted up his gains at the end of 1884, he was fortunate if he found that his income had exceeded his expenses. Instead of launching out into new expenditures, as our farmers did in 1879 and 1880, they are likely to feel in 1885 that they must retrench;

and that retrenchment will mean just so much less employment for labor—just so much less profits for the capital that employs labor in the production of the articles that farmers are accustomed to buy.

There certainly have been of late many encouraging symptoms in the course of business, but it is not easy to discover that anything has yet happened or is likely soon to happen that can avert the downward course above suggested. If there are any causes at work that are likely to have this effect, it is to be hoped that some one will point them out.

U. H. C.

Boston, Jan. 13, 1885.

The above appeared in the Boston "Sunday Herald" of Feb. 8, 1885.

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