

Introduction

The Problem of Poverty Amid Progress

THE NINETEENTH CENTURY saw an enormous increase in the ability to produce wealth. Steam and electricity, mechanization, specialization, and new business methods greatly increased the power of labor.

Who could have foreseen the steamship, the railroad, the tractor? Or factories weaving cloth faster than hundreds of weavers? Who could have heard the throb of engines more powerful than all the beasts of burden combined? Or envisioned the immense effort saved by improvements in transportation, communication, and commerce?

Surely, these new powers would elevate society from its foundations, lifting the poorest above worry for the material needs of life. Imagine these new machines relieving human toil, muscles of iron making the poorest worker's life a holiday, giving our nobler impulses room to grow. Given such bountiful material conditions, surely we could anticipate the golden age long dreamed of. How could there be greed when everyone had enough? How could things that arise from poverty—crime, ignorance, brutality—exist when poverty had vanished? Such were the dreams born of this wonderful century of progress.

True, there were disappointments. Discovery upon discovery, invention after invention still did not lessen

the toil of those who most need relief or bring plenty to the poor. But it seemed there were so many things that could be blamed for this failure that our faith has hardly weakened. Surely we would overcome these difficulties in time.

Yet we must now face facts we cannot mistake. All over the world, we hear complaints of industrial depression: labor condemned to involuntary idleness; capital going to waste; fear and hardship haunting workers. All this dull, deadening pain, this keen, maddening anguish, is summed up in the familiar phrase "hard times."

This situation can hardly be accounted for by local causes. It is common to communities with widely differing circumstances, political institutions, financial systems, population densities, and social organization. There is economic distress under tyrannies, but also where power is in the hands of the people. Distress where protective tariffs hamper trade, but also where trade is nearly free. Distress in countries with paper money, and in countries with gold and silver currencies.

Beneath all this, we can infer a common cause. It is either what we call material progress, or something closely connected with it. What we call an industrial depression is merely an intensification of phenomena that always accompany material progress. They show themselves more clearly and more strongly as progress goes on.

Where do we find the deepest poverty, the hardest struggle for existence, the greatest enforced idleness? Why, wherever material progress is most advanced. That is to say, where population is densest, wealth greatest, and production and exchange most highly developed. In older countries, destitution is found amid the greatest abundance.

Conversely, workers emigrate to newer countries seeking higher wages. Capital also flows there seeking higher interest. They go where material progress is still in earlier stages. The older countries, where material progress has reached its later stages, is where poverty occurs.

Go to a new community where the race of progress is just beginning, where production and exchange are still rude and inefficient. The best house may be only a log cabin; the richest person must work every day. There is not enough wealth to enable any class to live in ease and luxury. No one makes an easy living, or even a very good one—yet everyone can make a living. While you won't find wealth and all its effects, neither will you find beggars. No one willing and able to work lives in fear of want. Though there is no luxury, there is no poverty.

But just when they start to achieve the conditions civilized communities strive for, poverty takes a darker turn. This occurs as savings in production and exchange are made possible by denser settlement, closer connection with the rest of the world, and labor-saving machinery. It occurs just as wealth consequently increases. (And wealth increases not only in the aggregate, but in proportion to population.)

Now, some will find living better and easier—but others will find it hard to get a living at all. Beggars and prisons are the mark of progress as surely as elegant mansions, bulging warehouses, and magnificent churches.

Unpleasant as it may be to admit, it is at last becoming evident that progress has no tendency to reduce poverty. The great fact is, poverty, with all its ills, appears whenever progress reaches a certain stage. Poverty is, in some way, produced by progress itself.

Progress simply widens the gulf between rich and poor. It makes the struggle for existence more intense. Wherever these forces are at work, large classes are maintained on charity.

Yes, in certain ways, the poorest now enjoy what the richest could not a century ago. But this does not demonstrate an improvement—not so long as the ability to obtain the necessities of life has not increased. A beggar in the city may enjoy many things that a backwoods farmer cannot. But the condition of the beggar is not better than that of an independent farmer. What we call progress does not improve the condition of the lowest class in the essentials of healthy, happy human life. In fact, it tends to depress their condition even more.

These new forces do not act on society from underneath. Rather, it is as though an immense wedge is being driven through the middle. Those above it are elevated, but those below are crushed.

Where the poor have long existed, this effect is no longer obvious. When the lowest class can barely live, it is impossible to get any lower: the next step is out of existence altogether. This has been the case for a long time in many parts of Europe. But where new settlements advance to the condition of older ones, we see that material progress not only fails to relieve poverty, it actually produces it.

In the United States, it is obvious that squalor and misery increase as villages grow into cities. Poverty is most apparent in older and richer regions. If poverty is less deep in San Francisco than New York, is it not because it lags behind? Who can doubt that when it reaches the point where New York is now, there will also be ragged children in the streets?

So long as the increased wealth that progress brings goes to building great fortunes and increasing luxury, progress is not real. When the contrast between the haves and have-nots grows ever sharper, progress cannot be permanent. To educate people condemned to poverty only makes them restless. To base a state with glaring social inequalities on political institutions where people are supposed to be equal is to stand a pyramid on its head. Eventually, it will fall.

This relation of poverty to progress is the great question of our time. It is the riddle that the Sphinx* of Fate puts to us. If we do not answer correctly, we will be destroyed.

As important as this question is, we have no answer that accounts for the facts or provides a cure.

Experts break into an anarchy of opinion, and people accept misguided ideas. They are led to believe that there is a necessary conflict between capital and labor; that machinery is an evil; that competition must be restrained; or that it is the duty of government to provide capital or furnish work. Such ideas are fraught with danger, for they allow charlatans and demagogues to control the masses.

But these ideas cannot be successfully challenged until political economy gives some answer to the great question.

Political economy is not a set of dogmas. It is the explanation of a certain set of facts and their mutual relationships. Its deductions follow from premises we all recognize. In fact, we base the reasoning and actions of everyday life on them. These premises can be reduced to

*The Sphinx was a creature in Greek mythology who challenged travelers with a riddle. If they could not answer correctly, it devoured them.

an expression as simple and basic as the physical law that says: motion follows the line of least resistance.

Political economy proceeds from the following simple axiom:

People seek to satisfy their desires with the least exertion.

The process then consists simply of identification and separation. In this sense it is as exact a science as geometry. Its conclusions, when valid, should be just as apparent.

Now, in political economy we cannot test theories by artificially producing combinations or conditions, as other sciences can. Yet we can apply tests that are no less conclusive. This can be done by comparing societies in which different conditions exist. Or, we can test various theories in our imagination—by separating, combining, adding, or eliminating forces or factors of known direction.

Properly done, such an investigation should yield a conclusion that will correlate with every other truth. Every effect has a cause; every fact implies a preceding fact.

In the following pages, I will use these methods to discover what law connects poverty with progress. I believe this law will also explain the recurring cycles of industrial and commercial depression, which now seem so unexplainable.

Current political economy cannot explain why poverty persists in the midst of increasing wealth. It teaches only unrelated and disjointed theories. It seems to me, this is not due to any inability of the science. Rather, there must be some false step in its premises, or some overlooked factor in its estimates.

Such mistakes are generally concealed by respect paid

to authority. Therefore, I will take nothing for granted. Accepted theories will be tested; established facts will be freshly questioned. I will not shrink from any conclusion, but promise to follow the truth wherever it may lead.

What the outcome proves to be is not our affair. If the conclusions we reach run counter to our prejudices, let us not flinch. If they challenge institutions that have long been regarded as wise and natural, let us not turn back.