

CHAPTER XII.

OVER-PRODUCTION.

THAT, as declared by the French Assembly, public misfortunes and corruptions of government spring from ignorance, neglect or contempt of human rights, may be seen from whatever point we look.

Consider this matter of "over-production" of which we hear so much—to which is so commonly attributed dullness of trade and the difficulty of finding employment. What, when we come to think of it, can be more preposterous than to speak in any general sense of over-production? Over-production of wealth when there is everywhere a passionate struggle for more wealth; when so many must stint and strain and contrive, to get a living; when there is poverty and actual want among large classes! Manifestly there cannot be over-production, in any general and absolute sense, until desires for wealth are all satisfied; until no one wants more wealth.

Relative over-production, of course, there may be. The production of certain commodities may be so far in excess of the proper proportion to the production of other commodities that the whole quantity produced cannot be exchanged for enough of those other commodities to give the usual returns to the labor and capital engaged in bringing them to market. But this relative over-production is merely disproportionate production. It may proceed

from increased production of things of one kind, or from decreased production of things of other kinds.

Thus, what we would call an over-production of watches—meaning not that more watches had been produced than were wanted, but that more had been produced than could be sold at a remunerative price—would be purely relative. It might arise from an increase in the production of watches, outrunning the ability to purchase watches; or from a decrease in the production of other things, lessening the ability to purchase watches. No matter how much the production of watches were to increase, within the limits of the desire for watches, it would not be over-production, if at the same time the production of other things increased sufficiently to allow a proportionally increased quantity of other things to be given for the increased quantity of watches. And no matter how much the production of watches might be decreased, there would be relative over-production, if at the same time the production of other things were decreased in such proportion as to diminish in greater degree the ability to give other things for watches.

In short, desire continuing, the over-production of particular commodities can be only relative to the production of other commodities, and may result from unduly increased production in some branches of industry, or from the checking of production in other branches. But while the phenomena of over-production may thus arise from causes directly operating to increase production, or from causes directly operating to check production, just as the equipoise of a pair of scales may be disturbed by the addition or the removal of a weight, there are certain symptoms by which we may determine from which of these two kinds of causes any disturbance proceeds. For while to a limited extent, and in a limited field, these diverse causes may produce similar effects, their general effects will be

widely different. The increase of production in any branch of industry tends to the general increase of production; the checking of production in any branch of industry tends to the general checking of production.

This may be seen from the different general effects which follow increase or diminution of production in the same branch of industry. Let us suppose that from the discovery of new mines, the improvement of machinery, the breaking up of combinations that control it, or any other cause, there is a great and rapid increase in the production of coal, out of proportion to the increase of other production. In a free market the price of coal therefore falls. The effect is to enable all consumers of coal somewhat to increase their consumption of coal, and somewhat to increase their consumption of other things, and to stimulate production, by reducing cost, in all those branches of industry into which the use of coal directly or indirectly enters. Thus the general effect is to increase production, and to beget a tendency to reestablish the equilibrium between the production of coal and the production of other things, by raising the aggregate production.

But let the coal operators and syndicates, as they frequently do, determine to stop or reduce the production of coal in order to raise prices. At once a large body of men engaged in producing coal find their power of purchasing cut off or decreased. Their demand for commodities they habitually use thus falls off; demand and production in other branches of industry are lessened, and other consumers, in turn, are obliged to decrease their demands. At the same time the enhancement in the price of coal tends to increase the cost of production in all branches of industry in which coal is used, and to diminish the amount both of coal and of other things which the users of coal can call for. Thus the check to production is perpetuated through all branches of industry, and when the reestablish-

ment of equilibrium between the production of coal and the production of other things is effected, it is on a diminished scale of aggregate production.

All trade, it is to be remembered, is the exchange of commodities for commodities—money being merely the measure of values and the instrument for conveniently and economically effecting exchanges. Demand (which is a different thing from desire, as it involves purchasing power) is the asking for things in exchange for an equivalent value of other things. Supply is the offering of things in exchange for an equivalent value of other things. These terms are therefore relative; demand involves supply, and supply involves demand. Whatever increases the quantity of things offered in exchange for other things at once increases supply and augments demand. And, reversely, whatever checks the bringing of things to market at once reduces supply and decreases demand.

Thus, while the same primary effect upon the relative supply of and demand for any particular commodity or group of commodities may be caused either by augmentation of the supply of such commodities, or by reduction in the supply of other commodities—in the one case, the general effect will be to stimulate trade, by calling out greater supplies of other commodities, and increasing aggregate demand; and in the other case, to depress trade, by lessening aggregate demand and diminishing supply. The equation of supply and demand between agricultural productions and manufactured goods might thus be altered in the same direction and to the same extent by such prosperous seasons or improvements in agriculture as would reduce the price of agricultural productions as compared with manufactured goods, or by such restrictions upon the production or exchange of manufactured goods as would raise their price as compared with agricultural productions. But in the one case, the aggregate produce

of the community would be increased. There would be not only an increase of agricultural products, but the increased demand thus caused would stimulate the production of manufactured goods; while this prosperity in manufacturing industries, by enabling those engaged in them to increase their demand for agricultural productions, would react upon agriculture. In the other case, the aggregate produce would be decreased. The increase in the price of manufactured goods would compel farmers to reduce their demands, and this would in turn reduce the ability of those engaged in manufacturing to demand farm products. Thus trade would slacken, and production be checked in all directions. That this is so, we may see from the different general effects which result from good crops and poor crops, though to an individual farmer high prices may compensate for a poor yield.

To recapitulate: Relative over-production may proceed from causes which increase, or from causes which diminish, production. But increased production in any branch of industry tends to increase production in all; to stimulate trade and augment the general prosperity; and any disturbance of equilibrium thus caused must be speedily readjusted. Diminished production in any branch of industry, on the other hand, tends to decrease production in all; to depress trade and lessen the general prosperity; and depression thus produced tends to perpetuate itself through larger circles, as in one branch of industry after another the check to production reduces the power to demand the products of other branches of industry.

Whoever will consider the wide-spread phenomena which are currently attributed to over-production can have no doubt from which of these two classes of causes they spring. He will see that they are symptoms, not of the excess of production, but of the restriction and strangulation of production.

There are with us many restrictions of production, direct and indirect; for production, it must be remembered, involves the transportation and exchange as well as the making of things. And restrictions imposed upon commerce or any of its instruments may operate to discourage production as fully as restrictions imposed upon agriculture or manufactures. The tariff which we maintain for the express purpose of hampering our foreign commerce, and restricting the free exchange of our own productions for the productions of other nations, is in effect a restriction upon production. The monopolies which we have created or permitted to grow up, and which levy their toll upon internal commerce, or by conspiracy and combination diminish supply and artificially enhance prices, restrict production in the same way; while the taxes levied upon certain manufactures by our internal revenue system directly restrict production.*

So, too, is production discouraged by the direct taxes

* Whether taxes upon liquor and tobacco can be defended upon other grounds is not here in question. What Adam Smith says upon this point may, however, be worth quoting:

"If we consult experience, the cheapness of wine seems to be a cause, not of drunkenness, but of sobriety. The inhabitants of the wine countries are in general the soberest people in Europe; witness the Spaniards, the Italians, and the inhabitants of the southern provinces of France. People are seldom guilty of excess in what is their daily fare. Nobody affects the character of liberality and good fellowship, by being profuse of a liquor which is as cheap as small beer. On the contrary, in the countries which, either from excessive heat or cold, produce no grapes, and where wine consequently is dear, and a rarity, drunkenness is a common vice, as among the northern nations, and all those who live between the tropics—the negroes, for example, on the coast of Guinea. When a French regiment comes from some of the northern provinces of France, where wine is somewhat dear, to be quartered in the southern, where it is very cheap, the soldiers, I have frequently heard it observed, are at first debauched by the cheapness and novelty of good wine; but after a few

levied by our States, counties and municipalities, which in the aggregate exceed the taxation of the Federal government. These taxes are generally levied upon all property, real and personal, at the same rate, and fall partly on land, which is not the result of production, and partly on things which are the result of production; but insomuch as buildings and improvements are not only thus taxed, but the land so built upon and improved is universally rated at a much higher assessment, and generally at a very much higher assessment, than unused land of the same quality,* even the taxation that falls upon land values largely operates as a deterrent to production.

To produce, to improve, is thus fraught with a penalty. We, in fact, treat the man who produces wealth, or accumulates wealth, as though he had done something which public policy calls upon us to discourage. If a house is erected, or a steamship or a factory is built, down comes the tax-gatherer to fine the men who have done such things. If a farmer go upon vacant land, which is adding nothing

months' residence, the greater part of them become as sober as the rest of the inhabitants. Were the duties upon foreign wines, and the excises upon malt, beer, and ale, to be taken away all at once, it might, in the same manner, occasion in Great Britain a pretty general and temporary drunkenness among the middling and inferior ranks of people, which would probably be soon followed by a permanent and almost universal sobriety. At present, drunkenness is by no means the vice of people of fashion, or of those who can easily afford the most expensive liquors. A gentleman drunk with ale has scarce ever been seen among us. The restraints upon the wine trade in Great Britain, besides, do not so much seem calculated to hinder the people from going, if I may say so, to the ale-house, as from going where they can buy the best and cheapest liquor."—*Wealth of Nations*, Book IV., Chapter III.

* This arises from the widely spread but utterly false notion that property should pay taxes only in proportion to the income it yields. In Great Britain, this is carried to such a pitch of absurdity that unused land pays no taxes, no matter how valuable it may be.

to the wealth of the community, reclaim it, cultivate it, cover it with crops, or stock it with cattle, we not only make him pay for having thus increased wealth, but, as an additional discouragement to the doing of such things, we tax him very much more on the value of his land than we do the man who holds an equal piece idle. So, too, if a man saves, our taxes operate to punish him for his thrift. Thus is production checked in every direction.

But this is not all. There is with us a yet greater check to production.

If there be in this universe superior intelligences engaged, with higher powers, in the study of its infinite marvels, who sometimes examine the speck we tenant with such studious curiosity as our microscopists watch the denizens of a drop of water, the manner in which, in such a country as this, population is distributed, must greatly puzzle them. In our cities they find people packed together so closely that they live over one another in tiers; in the country they see people separated so widely that they lose all the advantages of neighborhood. They see buildings going up in the outskirts of our towns, while much more available lots remain vacant. They see men going great distances to cultivate land while there is yet plenty of land to cultivate in the localities from which they come and through which they pass. And as these higher intelligences watch this process of settlement through whatever sort of microscopes they may require to observe such creatures as we, they must notice that, for the most part, these settlers, instead of being attracted by each other, leave between each other large patches of unused land. If there be in the universe any societies which have the same relation to us as our learned societies have to ants and animalculæ, these phenomena must lead to no end of curious theories.

Take in imagination such a bird's-eye view of the city

of New York as might be had from a balloon. The houses are climbing heavenward—ten, twelve, even fifteen stories, tier on tier of people, living, one family above another, without sufficient water, without sufficient light or air, without playground or breathing-space. So close is the building that the streets look like narrow rifts in the brick and mortar, and from street to street the solid blocks stretch until they almost meet; in the newer districts only a space of twenty feet, a mere crack in the masonry through which at high noon a sunbeam can scarcely struggle down, being left to separate the backs of the tenements fronting on one street from the backs of those fronting on another street. Yet, around this city, and within easy access of its center, there is plenty of vacant land; within the city limits, in fact, not one-half the land is built upon; and many blocks of tall tenement-houses are surrounded by vacant lots. If the improvement of our telescopes were to show us on another planet, lakes where the water, instead of presenting a level surface, ruffled only by the action of the wind, stood up here and there in huge columns, it could hardly perplex us more than these phenomena must perplex such extramundane intelligences as I have supposed. How is it, they may well speculate, that the pressure of population which piles families, tier on tier, above each other, and raises such towering warehouses and workshops, does not cover this vacant land with buildings and with homes? Some restraining cause there must be; but what, it might well puzzle them to tell.

A South Sea Islander, however—one of the old heathen sort, whom, in civilizing, we have well-nigh exterminated, might make a guess. If one of their High Chiefs tabooed a place or object, no one of the common sort of these superstitious savages dare use or touch it. He must go around for miles rather than set his feet on a tabooed path; must parch or die with thirst rather than drink of

a tabooed spring; must go hungry though the fruit of a tabooed grove rotted on the ground before his eyes. A South Sea Islander would say that this vacant land must be "taboo." And he would be not far from the truth. This land is vacant, simply because it is cursed by that form of the taboo which we superstitiously venerate under the names of "private property" and "vested rights."

The invisible barrier but for which buildings would rise and the city would spread, is the high price of land, a price that increases the more certainly it is seen that a growing population needs the land. Thus the stronger the incentive to the use of land, the higher the barrier that arises against its use. Tenement-houses are built among vacant lots because the price that must be paid for land is so great that people who have not large means must economize their use of land by living one family above another.

While in all of our cities the value of land, which increases not merely with their growth, but with the expectation of growth, thus operates to check building and improvement, its effect is manifested through the country in a somewhat different way. Instead of unduly crowding people together it unduly separates them. The expectation of profit from the rise in the value of land leads those who take up new land, not to content themselves with what they may most profitably use, but to get all the land they can, even though they must let a great part of it lie idle; and large tracts are seized upon by those who make no pretense of using any part of it, but merely calculate to make a profit out of others who in time will be driven to use it. Thus population is scattered, not only to loss of all the comforts, refinements, pleasures and stimulations that come from neighborhood, but to the great loss of productive power. The extra cost of constructing and maintaining roads and railways, the greater

distances over which produce and goods must be transported, the difficulties which separation interposes to that commerce between men which is necessary even to the ruder forms of modern production, all retard and lessen production. While just as the high value of land in and about a great city makes more difficult the erection of buildings, so does increase in the value of agricultural land make improvement difficult. The higher the value of land the more capital does the farmer require if he buys outright; or, if he buys on instalments, or rents, the more of his earnings must he give up every year. Men who would eagerly improve and cultivate land could it be had for the using are thus turned away—to wander long distances and waste their means in looking for better opportunities; to swell the ranks of those seeking for employment as wage-workers; to go back to the cities or manufacturing villages in the endeavor to make a living; or to remain idle, frequently for long periods, and sometimes until they become utterly demoralized and worse than useless tramps.

Thus is production checked in those vocations' which form the foundation for all others. This check to the production of some forms of wealth lessens demand for other forms of wealth, and so the effect is propagated from one branch of industry to another, begetting the phenomena that are spoken of as over-production, but which are primarily due to restricted production.

And as land values tend to rise, not merely with the growth of population and wealth, but with the expectation of that growth, thus enlisting in pushing on the upward movement, the powerful and illusive sentiment of hope, there is a constant tendency, especially strong in rapidly growing countries, to carry up the price of land beyond the point at which labor and capital can profitably engage in production, and the only check to this is the refusal of

labor and capital so to engage. This tendency becomes peculiarly strong in recurring periods, when the fever of speculation runs high, and leads at length to a correspondingly general and sudden check to production, which propagating itself (by checking demand) through all branches of industry, is the main cause of those paroxysms known as commercial or industrial depressions, and which are marked by wasting capital, idle labor, stocks of goods that cannot be sold without loss, and wide-spread want and suffering. It is true that other restrictions upon the free play of productive forces operate to promote, intensify and continue these dislocations of the industrial system, but that here is the main and primary cause I think there can be no doubt.

And this, perhaps, is even more clear: That from whatever cause disturbance of industrial and commercial relations may originally come, these periodical depressions in which demand and supply seem unable to meet and satisfy each other could not become wide-spread and persistent did productive forces have free access to land. Nothing like general and protracted congestion of capital and labor could take place were this natural vent open. The moment symptoms of relative over-production manifested themselves in any derivative branch of industry, the turning of capital and labor toward those occupations which extract wealth from the soil would give relief.

Thus may we see that those public misfortunes which we speak of as "business stagnation" and "hard times," those public misfortunes that in periods of intensity cause more loss and suffering than great wars, spring truly from our ignorance and contempt of human rights; from our disregard of the equal and unalienable right of all men freely to apply to nature for the satisfaction of their needs, and to retain for their own uses the full fruits of their labor.