

CHAPTER V.

Demand and Supply.

You contracted your brows a little, Doctor, when I said that individuals virtually make the things they buy with the money they earn. But really nothing could be truer, I do assure you. Let people stop buying some commodity, any artificial commodity you can think of, I don't care what, from pins to poignards, and wouldn't that commodity disappear from the face of the earth? So much of it as had been made in expectation of purchases, would linger awhile no doubt, but its reproduction would stop almost upon the instant. Who causes it to exist, then, but those who demand it and give service in exchange for it?

Take our shoe-sole maker, for instance, he of whom we spoke a few days ago. Suppose he spends the money he gets for making shoe soles in buying a coat, hasn't he virtually caused coats to be made? Think of it a moment; analyze the circumstances. He has made shoe soles that he doesn't want and wouldn't make for himself, but which other folks do want and for which they give money to his employer, who gives some of it to him; and he spends this money for a coat which a lot of folks within the circles of social service have made although they didn't want it and wouldn't have made it if they hadn't expected to sell it. They may not know him nor he them. They may have in mind no particular user of that particular coat when they make it, any more than

he has in mind a particular shoe wearer when he makes a particular shoe sole. But just as he makes shoe soles because there is a general demand for shoes, so they make coats because there is a general demand for coats. And isn't he, as the buyer of one coat, a factor in that general demand for coats? Surely it is the sole maker who really employs coat makers to the extent of one coat, just as it is shoe wearers who really employ sole makers. But for the demand of sole makers for coats there would be fewer coats; but for the demand of coat makers for shoes there would be fewer shoes; but for general demand for things in general, whatever you will, there would be fewer of those things. In reality every one who does what others want done is employing others to do what he wants done. And so it goes all through the confusing mazes of that co-operative concern which we distinguish as the social service market.

You have often heard business men compliment themselves upon "giving work." But if there is any credit coming to persons who "give work," it doesn't belong to employers. They are only co-operators with their help. The persons who give work both to an employer and to his hands, are the consumers of his goods. If they stopped consuming to-day, your benevolent employer would have to stop "giving work" to-morrow. It is their desire for consumption that causes their demand, and their demand that sets in motion and keeps in motion the processes of supply.

Don't you catch on to the principle of the thing? Each of us makes what he can make the better, in order to get money for it with which to buy what he wants the more. We specialize, not because we want all the products of our own specialty, nor indeed more than a very small part; but because we wish to put into the social serv-

ice market our products that we don't want, in exchange for the products of other specialists which we do want. Don't you see, then, that what we are really doing, when you consider the great round-up of exchanges, is hiring one another?

Well, if we hire one another, don't we virtually make the products of other specialists which we buy, and don't they virtually make our products which they buy? Wasn't our old printer friend—"Bill" McCabe as we used to call him,—wasn't he right when he was building that little house of his away back in the '80s, and you and I advised him to dig the cellar himself, wasn't he right when he replied that he could dig that cellar easier with a printer's composing stick than with a pick and shovel? We didn't understand him until he explained that he meant to earn money with his composing stick as a printer, a kind of work he was skilled in, and then to hire with that money men skilled with pick and shovel to dig him his cellar. Of course he could dig it that way easier, and that is why he did it so; and of course he virtually dug it himself by selling the type-setting and buying the cellar-digging. Didn't you virtually carry your own letters and I my own live-bait, that time in the mountains? It's the same thing.

Business men look at it that way anyhow. When they pay wages for the products of a specialist they employ—our friend the shoe-sole maker, for instance,—don't they say, Our house made those products? By "our house" they mean themselves as "employers of labor." And as between themselves and their workmen they are right, for workmen do produce in response to the demands of their employers. But as between themselves and their workmen on one side, and the consumers of the products on the other, the products are made in response to the demands of the con-

sumers. It is the consumers, therefore, who, in the last analysis, make the products, in the business man's sense of causing them to be made—provided, of course, that the consumers earn the money with which they buy them. If they don't earn the money, then they don't make the products that they demand, for they give no service in exchange for them. Though they cause the products they buy to be made, it is only as a slave-owner or a confidence man may do so, unless they make what they buy with.

Why, now I recall it, we have a lawyer's maxim which is right in point. "Qui facit per alium facit per se"—he who acts through another acts through himself. Would it be too loose an interpretation of that maxim to say that what one does by another he does himself? This is a wholesome legal rule, as sound as a nut, and I take it to be as sound in the science of social service as in the law. Every legitimate exchange of service is a case of reciprocal hiring; and each social servitor, by inducing others to produce the things that he demands in exchange for what he produces, himself produces in effect what he demands.

The importance of the principle will reveal itself to you, Doctor, if you bring it to bear upon such pathological aspects of social service as the conjunction of unsatisfied wants and slack employment. But don't let me side-track myself. Before passing on from the principle that the working consumer virtually produces the things he demands for consumption, I want to call your attention to an eloquent illustration that Henry George made of the same principle. When I first read it in "Progress and Poverty" the thought and the diction made such an impression on me that I have never forgotten the passage. Listen: "The draftsman who, shut up in some dingy office on the banks of the Thames, is drawing the

plans for a great marine engine, is in reality devoting his labor to the production of bread and meat as truly as though he were garnering the grain in California or swinging a lariat on a La Plata pampa; as truly making his own clothing as though he were shearing sheep in Australia or weaving cloth in Paisley, and just as effectively producing the claret he drinks at dinner as though he gathered the grapes on the banks of the Garonne. The miner who, two thousand feet underground in the heart of the Comstock is digging out silver ore, is, in effect, by virtue of a thousand exchanges, harvesting crops in villages five thousand feet nearer the earth's center; chasing the whale through arctic icefields; plucking tobacco leaves in Virginia; picking coffee berries in Honduras; cutting sugar cane on the Hawaiian Islands; gathering cotton in Georgia or weaving it in Manchester or Lowell; making quaint wooden toys for his children in the Hartz Mountains; or plucking amid the green and gold of Los Angeles orchards the oranges which, when his shift is relieved, he will take home to his sick wife."

You won't be so literal, I take it, as to construe that passage into an absurd assertion that a Rocky Mountain miner raises oranges for his sick wife by directly availing himself of the physical laws of orange culture. Those laws he leaves to the orange specialists. The law of orange culture that he does avail himself of, whether consciously or not, is the great psychological law of social service which I have already alluded to,—that demand regulates supply. Finding that there is a demand for silver ore, the miner supplies silver ore by digging it; and getting money for this work, he spends the money for oranges, an act which, in conjunction with millions like it, yesterday, to-day, and probably to-morrow—past,

present and future,—goes to make up an aggregate demand for oranges to which the orange specialist responds as the miner did to the aggregate demand for silver ore.

This is the law of supply and demand. It is what holds the social service market in equilibrium. We may state it in various forms, one of which, the form that Henry George prescribed, is like this: "The demand for consumption determines the direction in which labor will be expended in production.* But we can shorten that form by saying that demand determines supply; or, and probably this is the better form for our present purpose, that the demand for social service determines the direction of individual services. In the language of money, the law might be translated into this formula: The expenditure of money in purchasing products for consumption, determines the expenditure of money in purchasing services for production.

With all due deference, Doctor, to your distaste for the absolute, I am obliged to say that this is a natural law, a law of human nature as invariable, taking human nature in the mass, as the most rigid physical law that you find it necessary to yield your empirical prejudices to. The character and volume of the demand for social service persistently tend to determine the character and volume of the supply of individual services. If not obstructed, this tendency will produce a constant equilibrium of demand and supply. There is plenty of proof for this conclusion, and there is no escape from it.

Isn't the principle perfectly obvious in the case of a solitary man who has to supply the satisfactions for his own demands directly with his own services—a man who has no fellows to

*"Progress and Poverty," page 75, Library edition.

co-operate with, and consequently no use for money? Look at Robinson Crusoe, for example. Within his powers he supplied himself with service in response to his demand for service, and only so. If Defoe had made him any other way, every boy that reads the story would cry out against it. Demanding goat's flesh, he caught and killed goats. Demanding corn, he cultivated corn. Demanding shelter, he fixed his cave and built his hut. Even upon goods he found in stranded ships, he was obliged to render service to himself in the direction of his demand for service, by preparing places for safe-keeping and in fetching the goods there. Nothing came to him without his labor. And wasn't the labor he expended in any direction, turned in that direction by his desire for what labor so exerted would produce to him? Clearly it was Robinson Crusoe's demand for service that determined his labor in supplying service.

Well, now, Crusoe is a type of society. For society, taken as a whole, is but a larger man living upon a larger island in space as Crusoe lived upon his little island in the sea. The principle of supply and demand may not be so clear in the larger man of our planet whom we call Human Society, as with Crusoe in his solitary condition, since individuals do not themselves perform the identical services which they desire for themselves. But it is operative all the same. One man supplies a great deal of one kind of service, while he demands in return a little of almost every kind. You see that, Doctor? But why does he supply any particular kind of service? why not some other kind? Isn't it because he thinks there is a demand for the kind he supplies, which will enable him to swap it for the kinds he demands?

If hat makers demand shoes, coats and food;

and shoemakers demand hats, coats and food; and tailors demand hats, shoes and food; and food makers demand hats, shoes and coats—each co-operator in each of these industrial classes will respond to the demands of all the others. As may be the demand among them for service in the concrete form of hats, shoes, coats and food, so will their labor respectively be expended. And if demand for one of these objects should rise or fall relatively to demand for the others, more or less of their labor, as the case may be, will turn to the production of that object.

Don't you remember how Abe Remer, when we were boys together, used to do carpenter work out our way part of the year, and work at laying stone or other odds and ends of service at other times? A carpenter by trade, why did he stop carpentering now and then, to work at other jobs? Because carpenter work fell off at some seasons of the year, and other jobs were more profitable. The demand for service regulated the supply of service in his case sure enough. And it is so in general. Should demand for any kind of service wholly cease, men would discontinue its supply altogether. This effect may be observed whenever a class of goods goes out of fashion. Should such goods come again into fashion, demand for them would be renewed, and with the reappearance of demand specialists would once more produce them.

Regarding industrial society as a unit, or larger man, the operation of the law of service in social conditions is no less indisputable than in such solitary conditions as those of Crusoe. The various service-rendering parts of society—specialists in their several departments,—like the various parts of his physical body in the case of a solitary producer like Crusoe, respond to the demands of all. The multifarious demands of society as a

whole determine the character and degree of activity for each department of service, and thus for each individual, much as Robinson Crusoe's demand for baskets imposed greater activity upon his arms and less upon his legs, and as his demand for goat's flesh imposed greater activity upon his legs and less upon his arms. And inasmuch as individuals pass readily from one department of service to any one of several kindred departments—as a doctor might become a nurse if the demand for doctors fell off and that for nurses increased, or a nurse might make a pretty fair doctor in an emergency if conditions were reversed—any increase of activity in either tends to draw service to that department and away from departments in which activity has slackened.

Although the identical individual who leaves a specialized service for which demand has declined or ceased, may not turn to the identical specialty in which it has risen, he turns to a place for service somewhere between the point of decline and the point of rise. Every individual who does come into the more active department leaves a vacancy in another, which may be filled from still another, and that from another, and so on all the way down the line. Social service flows as water does. Though the water drawn from a reservoir is not the same water that thereupon flows into the reservoir, the outflow at the one point makes room for inflow at the other; and while each particle of water may move but slightly, the whole body of water is readjusted. So with social service. Though each specialist but slightly changes his specialty when demand alters, the whole body of social service is readjusted in harmony with the alteration of demand.

Have I been confusing social service with commodities? Probably I have. But I thought we had come to an understanding on that score.

There is really no difference, you know, except in external form, between social service and such artificial commodities as houses, machinery, clothing, food, and the other concrete products of human exertion. If I give you legal advice, I am serving you; and if you mend my mashed thumb you are serving me. So the waiters at Joseph's restaurant who bring us our food when we go there, and the cook who cooks it, are serving us. These are intangible services. But the table furniture and the foods, those commodities of the restaurant, and the building itself with the kitchen utensils,—these things also are services. They are concrete products of somebody's labor for us—of many somebodies back of the waiter, back of the cook, and back and back in many directions, through the social service market.

You understand me, of course, when I say "labor." I don't mean merely one class of labor, as the newspapers do. I mean all serviceable activities. Also their respective abilities; for I can't refine things down to the point that Mallock does of distinguishing between an ability and an activity—not if the ability is worth a copper.

Neither will you understand, I hope, that by products I mean creations. Man cannot create. He cannot add an atom to the universe. But he can so modify the conditions of matter, both as to form and place, as to adapt it in its altered condition and different place to the function of directly or indirectly gratifying human desires. To do this is to produce artificial commodities. Production implies the adaptation of means to ends, by changing either the shape or the place of matter, or both, from natural to artificial conditions, in order to gratify human wants.

Specialists at farming bring forth wheat from the soil. This is an example of production by the alteration of matter as to shape. But as men

produce wheat, not because wheat is in itself an object of human desire—for it isn't, you know,—but because it is necessary material for producing things that in themselves are objects of human desire, the production of wheat is only a step in the process of producing something else. Other steps remain to be taken.

If bread be the ultimate object, then wheat is to that extent unfinished bread. In order that flour may be obtained from it, which would also be unfinished bread, the wheat is carried to a mill. This is an example of alteration of matter as to place. By so changing the location of the wheat as to bring it nearer to its destination as finished bread, its condition is improved as a concrete social service, as an artificial commodity,—as "wealth," to fall back upon the term of the political economists. Inasmuch, then, as additional wealth consists not merely in increase of quantity, but also in improvement of quality, the supply of wealth is thereby augmented. Wouldn't you say that a hundred bushels of good wheat is more wealth than a hundred bushels of poor wheat? Not more wheat, but more wealth—more capability of giving satisfaction, more serviceableness? Very well, in the same sense a hundred bushels of wheat at the Minneapolis mills is more wealth than the same wheat out on a Minnesota prairie—not more wheat, mind you, but more wealth.

The wheat having been transported to the mill, it is there ground under the supervision of millers, who are social servitors just like Joseph's waiters, only farther back in the process, and with machinery produced by an army of other social servitors like themselves but in different specialties. The resulting flour is another change in shape, which augments the amount of wealth. It destroys the wheat as wheat, but it increases the

wealth, the social serviceableness of the embodied individual services. Then the flour is transported to bakeries, which increases it as wealth by bringing it nearer to the consumers, whoever they may prove to be. At the bakeries, bread is produced from the flour—another increase of wealth by change of shape. Then the bread goes to the hotels and houses and restaurants—another increase of wealth by change of place,—and some of it comes to Joseph's perhaps, where you and I may consume a slice or two of one of the loaves.

Each of these changes is a step in the process of altering natural objects for the gratification of man's desire for the artificial object bread. It is a step in the process of adapting means to ends for the satisfaction of human desire. And the changes of place are no less important than the changes of shape. Taken all together, and with the like production of tools, machinery, buildings, trained animals, ships, cars, and other conveniences for bringing bread from the soil to the consumer, and all the cognate commercial processes, they constitute the complete operation of producing one species of wealth—one concrete form of social service.

All wealth production consists in similar alterations of the shape and place of matter, so as to change it from the natural condition in which we find it, to the varied artificial conditions in which we need it to serve in the satisfaction of our wants. Each variety of food as well as bread, of clothing as well as food, of shelter as well as both, every artificial implement, structure and conveyance, whether little and simple or great and complex, which is used in the production of any or every kind of consumable wealth,—in a word, whatever man fashions for the gratification of man's desires, whether indirectly, as productive buildings or machinery, or directly, as consum-

able goods, consists simply in objects altered in shape and place by those human activities which we are considering as social service.

And every social servitor under whose manipulation or through whose custody any of these things pass in the process of adapting them to the wants of the consumer as to shape or place, assists in their production by adding to their serviceability. The retail storekeeper and his assistants, from errand boy to cashier; the wholesaler and his assistants, from truckman to credit man; the manufacturer and all his workmen; the farmer and his hired help; the mine operator and his gangs of miners; those who work upon railroads and those who man ships; the banks which keep tab upon exchanges as a sort of common bookkeepers, and which as brokers distribute credit from lenders to borrowers; the "drummer" who increases the general economy by going to buyers who but for him would be obliged whenever in want of goods to go to commercial centers, and the buyers who, when it is more economical all things considered, do travel to commercial centers—in brief, every person who facilitates the shaping of any artificial and serviceable object, or its delivery to consumers in the form and place required by them, is a producer of wealth in the social service market.

Need I remind you again that the final object of it all is the satisfaction of individual desires? Bread is made because we want to eat it; it is not eaten because we want to make it. And that is only another way of saying that it is produced in accordance with the demand for it for consumption,—that the supply is in all respects determined (pathological conditions apart) by the demand.

And I needn't explain to you, of course, that consumption doesn't mean destruction. The law

of the conservation of energy settles that. What we do in consumption is precisely what we do in production—change the condition of objects. By production we change natural objects to artificial conditions *for the purpose* of satisfying desire; by consumption we change artificial objects back to natural conditions *in the process* of satisfying desire. We change wool to cloth and cloth to a coat, to satisfy the desire for clothing; we change the coat back to the natural elements of wool, by wearing it out in satisfying that desire.

Inevitably the same law of supply and demand applies to service in the production of concrete objects as in service direct. Service direct and service by wealth production are all one in principle. Demand for coats increases the supply of wool, cloth and coats, because social service turns to the production of those things, turning from the production of other things if demand for them falls off. And so we have the natural law I have outlined for you. The law that the demand for social service determines the direction in which individual services will be rendered, is the same thing as the law that the demand for consumption determines the direction in which service will be applied in production. And both formulas mean, translated into the language of money, that the direction in which money is expended in satisfying demand, determines the direction in which money will be expended in providing supply.

Not quite true that demand for consumption determines the direction of service in production? Not quite true because things are usually produced in advance of demand for consumption?

Yes, many things, most things in the narrow interpretation you are adopting now, Doctor, really are produced in advance of demand for consumption. Individuals do usually demand products

that have been already made. Shoemakers, for instance, demand and in fact receive for the money they get for shoes, coats that may have long lain on the dealer's shelves awaiting a sale. But are you warranted, therefore, in supposing that the demands of shoemakers for coats do not cause coats to be produced? I hardly think so. Why, suppose, Doctor, that coats were not bought by shoemakers any more at all. Wouldn't that somewhat discourage the making of more coats? I thought you would say so. In the long run, then, wouldn't it appear that it is the demand for coats that keeps up the supply?

While it is true that in general trade, specific goods are made in advance of specific demand for them, it would be very superficial to infer that therefore production determines consumption instead of being determined by it. "What do white folks mean by babies cutting their teeth?" asked the Negro philosopher in that story you so like to tell to young mothers. "Seems to me," he continued by way of explaining his perplexity—don't you recall it in its present application, Doctor,—“seems to me the teeth cut the baby; leastways that's the way it seems with colored babies.” No, no, Doctor; service in production doesn't determine the direction of demand for consumption; demand for consumption always determines the direction of service in production,—always in the long run, and this long run isn't such a very long run either.

The collection of commodities in the market is analogous to the collection of water in reservoirs. No water reservoir would be built if there were no water consumers. But as there are water consumers, the reservoir is built because in that way their demands for water can in certain circumstances be supplied most easily. It is considered by reservoir builders as humanly certain that as

soon as the water consumers realize this, they will resort to the reservoir instead of digging wells or carrying from springs. Now, observe. What may be called the social service reservoir, of which water reservoirs are but one department, serves in all respects a similar purpose. Stores are filled with goods in advance of specific demand, not to induce specific demand except incidentally it may be, but in obedience to general demand. There is approximately a constant demand for wealth, for artificial commodities, in consequence of which these commodities are continuously in process of completion. You find them continually unfinished in factories, in forests, in mines, and upon farms, continually in transit upon ships, cars and wagons, and continually flowing in and out of warehouses, wholesale stores and retail stores. Demands may be supplied for the most part from existing stock, but the stock is at once replenished from this flowing stream in accordance with these demands.

Isn't that equivalent to the proposition that demand for consumption determines the direction of service in production? Whether a bootmaker takes his customer's measure and makes a pair of shoes, as 'Lisha Bartron used to do out home when we were boys, or keeps shoes in stock and when he sells a pair buys another like them, as Alec Howell did at the postoffice store,—what difference does it make in the general round-up? In either case, shoes are supplied pursuant to demand. In one case the shoe-seller anticipates the demand and gives extra accommodation to his customers by having the goods ready at hand when wanted; in the other the shoemaker obliges his customers to wait until the goods can be made.

That some peculiar things are made before there is a demand for them, and for the plain purpose of creating that demand, argues nothing. These

things are made in the hope of a demand. Unless it sets in, their production is abandoned; if it sets in, their production is continued. Yes, production may sometimes actually take place and no demand ever arise, as in the case of that new nostrum you mention which was placed upon the market but didn't catch on. But this was done in expectation of demand, and I guess you'll admit that the market didn't get a second supply. Where is that nostrum now? You couldn't buy a package to save you. Why? Because demand has determined supply—determined it "down and out." The other instances you mention are cases in which the supply only seems to precede demand, but does not in fact precede it in any reasonable sense. Although the goods were stored months in advance of when they were wanted for consumption, they were demanded and consumed in due season and a new supply was consequently produced. Doesn't the fact remain, after all your apparent exceptions, that production in any direction rises and falls in consequence of the rise and fall of demand for consumption?

When demand for consumption withdraws any kind of wealth from the commercial reservoir, a tendency to the reproduction of that kind of wealth is thereby started. What consumers demand of retailers, the latter demand of the trade; and what they demand of the trade, manufacturers who seek the money wherewith to satisfy their own desires, are anxious to make. Very much indeed as water when drawn from a reservoir is reproduced to the reservoir from springs, through rivers and lakes and artificial conduits, are artificial commodities in general reproduced from various parts of the earth. They are produced by means of machinery, railroads, ships, wagons, warehouses and wholesale stores, which in their entirety are analogous to the rivers, lakes and con-

duits of a water supply, and are caused to flow into retail stores, which correspond to the distributing pipes and faucets of water systems. The difference is that the water will continue to flow in the same volume from the springs though the demand for it ceases. But artificial commodities will not continue to flow after demand has ceased, nor in the same volume after demand declines; for the persons who as a whole demand these things are the very persons who as a whole supply them.

Let me elaborate the simile so as to be sure that we grasp its significance. Imagine a universal water supply system in which every local reservoir is connected by pipes with great reservoirs, and these in turn with the natural source of supply, so that water from any part of the system may flow to any lower part. You know of course that the taking of water from a local reservoir must so affect all the water in the system as to result immediately in the replacement from the natural source of supply of a quantity of water equal to what is taken out. Unless there are obstructions, Doctor; unless there are obstructions. Precisely this is the natural arrangement of the world's system of wealth supply, and precisely so is its operation. When shoes are demanded at a retail store, the retailer supplies them and repeats the demand back to the wholesaler; the wholesaler supplies that demand and repeats it back to the manufacturers; they respond and repeat it back to producers of raw material, and to all kinds of workmen in any wise connected, directly or indirectly, principally or collaterally, with the making of shoes. Finished shoes taken out for consumption are consequently at once replaced by finished shoes that were then almost finished, and these by shoes that were then farther removed from finishment, and so on back, stage by stage,

to the rawest of the raw materials that enter into shoemaking or shoemaking machinery.

True, the replacement is not with shoes that have been wholly made since the specific demand, nor in consequence of it; but, what is essentially the same, they come from the constantly flowing stream of shoe supply. Rising on the cattle ranch and in other sources of the raw material for shoes and for the machinery for shoemaking, this industrial and commercial stream flows as steadily as a river, if unobstructed; as steadily as a river it flows from the sources of natural supply on ranches and farms and in mines and forests, through railroads, slaughter houses, tanneries, shoe-machine factories, warehouses, shoe factories, ships, and wholesale stores—all of them modes of social service, don't you see?—to its outlet into the great ocean of consumption at retail stores.

While the specific demand for a particular pair of ready-made shoes does not cause the production of those particular shoes, it does cause the completion of other shoes, which causes progress in making still others, which causes the beginning of the production of others, and so also of all the buildings and machines of whatever kind that are needed in the production of shoes. When the total demand for shoes and their total production are compared, we find shoe production in all its departments continually responding to the demand for shoes.

It may even be hasty to say that specific demand for a particular pair of ready-made shoes at the retail store does not cause the production of those particular shoes. That statement is not quite exact. For this very demand does cause the final act of producing those very shoes—the act of selling and delivering them to the consumer; and it must never be forgotten that the final act of production is quite as necessary as the first, though

the two may be separated by many intermediate acts of production and a long interval of time. If the final act were not demanded, the commercial and industrial stream would "back water"; all the preceding acts of production would immediately slacken and finally stop. If the purchase of shoes at retail stores stopped, all the multifarious processes of making shoes, and of making the machines and buildings for those processes, would also stop.

In whatever light you examine the law that demand for consumption determines supply by production, you will find that it holds good in all circumstances. It is the same whether demand causes the production throughout of the particular thing demanded, or simply keeps the stream of production flowing. It is the same where population is dense, division of labor minute and civilization high, no less than on a lonely island with a population of but one or two, or in the almost self-sufficing hamlet of our far-away boyhood.

And of course this law determines quality and variety as well as quantity. Demand for more wealth of every variety, directs service to the production of more wealth of every variety. Demand for more wealth of a particular variety, directs it to the production of more wealth of that variety. Demand for a better quality of wealth of any variety, directs it to the production of a better quality of that variety. Demand for luxuries turns it in that direction, and demand for vicious indulgence has a similar effect.

Individual services in production turn toward general demand for consumption unerringly in every particular. Nothing else is possible in the long run or general round-up. How could demand for consumption be satisfied if the social service market did not pretty promptly respond with more production? Why, Doctor, don't you see that

mankind would begin to perish to-morrow if production stopped to-day? Don't you realize yet that mankind lives literally from hand to mouth? Don't you know that there is no other way?

Oh, yes, a man might live to three score and ten, consuming much and producing nothing; but he would be living upon other people's production, at the expense of other people's work, in the sweat of other people's faces instead of his own; and that wouldn't be possible unless he were either a pitiful pensioner or a powerful parasite. Mankind as a whole cannot do it.

Saving? Pardon me, Doctor, while I say "bosh" —under my breath and politely, but "bosh!" Don't you know that wealth can't be saved? Claims upon wealth, more or less legitimate, may be accumulated, and create an appearance of saving wealth even for generations; but that wealth is really saved is a delusion.

Those boiled eggs you had at breakfast, they weren't laid two generations ago by your grandfather's hens and saved for you. They were laid yesterday by your neighbor's hens—hens attentively nurtured by him so as to make them "good layers," and which were not born until long after your grandfather died.

You bought the eggs, did you? bought them with money. Good. Now, how did you get the money? If you took it out of those coal mine royalties of yours, somebody in the social service market, or some congeries of somebodies, has supplied you with service to the extent of a couple of eggs without getting an equivalent in service. But if you paid for them out of your wages for helping to bring Tom and Mary's little girl safely into this spinning world of social service, then you paid for your eggs, and they were as truly yours as if your own hens had laid them and your own hands had cooked them.

Don't you realize, Doctor, that demand for consumption is not satisfied from hoards of products? There cannot possibly be any great accumulation of these artificial commodities. They won't keep. No sooner are the processes of production complete than the products are on their way back to their original elements. If they are not consumed they decay.

Of the products that existed a century ago, what remains? A few works of art, a few trinkets, a few relics, a few houses that have cost their worth in repairs. How much remains of what existed only a quarter of a century ago, when you and I were long past our youth? Some machinery, not much; buildings and highways that have cost in repairs nearly as much as they are worth; and a few works of art, trinkets and relics in addition to those a century old. Even the products of a year! Consider the enormous supply of clothing and clothing material, and food and food material, that existed a year ago but is gone now. In fact, all the accumulations even of yesterday will be so depleted by consumption come to-morrow, that we must have continuous accessions of new supplies in order to live into next week.

Again it is like the water reservoir. We city people seem to be taking accumulated savings of water from the reservoir; but how long before we should have to go thirsty and bathless if water were not all the while flowing into the reservoir?

And isn't it clear, Doctor, that this law of continuous demand and responsive supply disposes completely of the notion, which at one time had almost attained to the dignity of a theory, and which got you tangled up in a lot of protection fallacies—isn't it clear that it completely disposes of the notion that periods of industrial stagnation are caused by general production of wealth in excess of general demand for wealth—by over-

production, as they call it? Aren't you willing to admit now that that notion of overproduction is absurd?

Occasional and temporary overproduction in particular specialties? Yes, that is possible, of course. Since products in various stages of finishment continually flow to consumers from their original source in advance of specific though not of general demand, a decline of specific demand for particular products may prevent some of them from reaching consumers at remunerative prices. A change of fashion in hats, for example, may leave upon the hands of hat manufacturers and dealers an unavailable stock of hats, and of hats that are so far finished as to make their materials useless for hats of the newer fashion. But this will occasion no loss to hat makers which they won't make up in the brisk demand for another kind of hat. It may be also that misjudgment or misadventure may overstock the market with some commodity the demand for which has not fallen; but in such cases the equilibrium would soon be restored.

And anyhow, Doctor, these slight special and temporary overflows of supply are not meant when business stagnation is accounted for by overproduction. That notion alludes to excessive production not merely in some directions but in all directions. Now, isn't overproduction in all directions practically impossible so long as those of us who render service get service in exchange? Isn't there a mutuality of demand which makes excessive general supply almost if not quite unthinkable, without some pathological cause? Inasmuch as demand for consumption determines the direction in which labor will be expended in production, production as a whole can never exceed demand as a whole; that is to say, the supply of service as a whole can never exceed the demand

for service as a whole. How could it? Isn't it absurd to suppose that beings who demand wealth, and are able and willing reciprocally to satisfy one another's demands for it, should suffer the ills of poverty from general overproduction of wealth?

In normal social conditions the labor in the social service market is the total productive force of individuals who produce only that they themselves may consume. They are the same individuals. Just as Robinson Crusoe was a producer while adapting means to ends for satisfying his desires, and a consumer while satisfying his desires, so are men in the social service market producers as to the services they supply, and consumers as to the services their wants demand. Interchangeably employing one another, they are producers in one of their two great social relations, and consumers in the other. How, then, let me ask again, could an excess of products harm them, either as consumers or as producers, even if an excess of products were possible?

I'll tell you what it is, Doctor, when workers are suffering for want of work due to overproduction of what they want to consume, social conditions must be pathological. As a normal phenomenon it's preposterous.

The demand of the working masses for wealth to consume, is naturally a demand for their own employment. How then can they suffer for lack of employment? You say that I use "demand" loosely—that I should say "effective demand." That is of course to be understood. By "demand" I mean "effective demand." I don't mean mere idle wishing. To demand the service of others is not only to wish for it, but also to be able and willing to transfer service in payment. But when workers ask for service that other workers offer in exchange for theirs, and are able and willing and

offer to put their own services into the social service market in exchange, don't you think that there is on each side an effective demand?

Given farmers who want store goods, and producers of store goods who want farm products, and isn't the demand of each an effective demand unless something abnormal intervenes to prevent the meeting of demand and supply in the market? Given a man who can and will do something toward making shoes and who wants a hat, and another who can and will do something toward making a hat and who wants a pair of shoes, and aren't their demands mutually effective to that extent? Given all the men who contribute to shoe making and shoe delivery and who want hats, and all who contribute to the making and delivery of hats and who want shoes, and aren't their respective demands for shoes and hats effective demands? Given all the men that produce the things that all men want, and aren't their mutual demands effective demands? In the absence of obstructions, Doctor, in the absence of obstructions. Don't forget that reservation, for upon it hangs all the trouble—yes, and the remedy. Reciprocal demand in the social service market must be effective in the nature of things, unless arbitrary obstructions intervene.

When naturally effective demand is in practice ineffective, the cause will be found to be not in any general production in excess of effective general demand, but in some interposed obstacle which, by preventing supply from meeting and satisfying demand, gives an appearance—a false appearance—of overproduction. When you and I used to rile my grandfather by backing the water of our spring-run into the milk house and setting the cream pans afloat, he didn't talk about overproduction of water at the spring. He knew better. He knew that that "overproduction" was caused by

two mischievous boys who had prevented the natural flow of the water by building a dam in the run; and he stopped the overproduction by making us tear down the dam. You'll remember, too, that no claim of vested rights in dams built by laboriously mischievous boys in spring-runs would have gone down with my grandfather when the family butter was at issue.

No, no, Doctor, don't come back to that notion of saving. You can't cause overproduction by saving, any more than you can have eggs by saving. I have already shown you that products can't be saved. And of course saving won't make you independent of the necessity of working in response to the law of supply and demand that we have been talking about. That sort of independence does not come from possession of an accumulation of products. It comes from the possession of power to command the services of a large number of people from day to day, without ourselves working day by day. This may seem like saving products, and it has in some respects the same or a similar effect; but it isn't the same thing. It is as different as the difference between saving fish and owning fishermen.

There are several ways of getting that power. Some are good and some are bad, some normal and some pathological. We may in one way command the service of others by serving them directly, or by serving some one who through complex exchanges will get service to them. If our service be in great demand and we are skillful, they may enrich us with service in the directions in which we require it, and sufficiently, it may be, to let us take a day off now and then. Or, we may command service now in return for having rendered service in the past to be repaid with future service. Or, we may command service now by borrowing upon an agreement to repay in future

service. Or, we may command service now in return for having in the past made machinery capable of assisting future production, and deferring our payment until it comes from the production to which that machinery will contribute. Or, we may command service by exciting compassion or generosity, and having it offered to us as a gift. Or, we may command it by physical force, as in highway robbery; or by cunning, as in fraud, or blackmail or forgery; or by legislative power, as in slavery statutes and other public grants of the private privilege of exacting service without giving service.

Though individuals may seem in some of those ways to save wealth already produced, what in the main they really save is titles to wealth to be produced. They may, for instance, accumulate promissory notes, or bonds, or corporation stock, or bills of sale, or patents where they are allowed, or titles to slaves where slavery exists, or deeds to land. All this is the same in effect to them as an accumulation of products; for, without further service, they may by means of these titles obtain productive service as they demand it. But it is not in all cases the same to society as a whole. What they gain in social service in some of those ways, others must supply with their individual service; and somewhere in the general round-up, their gain will of necessity be some one's loss.

But don't misunderstand me, Doctor, as making any reflection upon the justice of any of those modes of "saving"—not yet, at any rate, not yet. Some of them are entirely just, and as to the others,—well, let it pass for the present; it's pathological. What I want you to realize clearly now, is the fact that I have already dwelt upon, that mankind as a whole cannot save wealth in any manner for any considerable time. As a whole, mankind can obtain wealth only as mankind pro-

duces wealth. What is demanded for consumption in the present must be produced by present labor. From current production, and virtually from current production alone, can current demand for consumption be satisfied.

Man produces because he desires to consume. His demands for consumption can on the whole be satisfied only from current production. Activities in production are consequently directed by demands for consumption, and this gives us the law that I have tried to make clear,—the law that demand for consumption determines the direction in which labor will be expended in production. No, pardon me, I will put it in another way, essentially the same but more in verbal harmony with the rest of what I have said. I will formulate the law in these words: The character, variety, quality and volume of individual services which the social service market for any considerable time demands, determine the character, variety, quality and volume of the individual services which the social service market supplies.

That this is a sound business rule, Doctor, any intelligent business man will tell you. If he denies it, ask him why he watches the market reports and regulates his output if he be a manufacturer, or his purchases of stock if he be a merchant, by them. Ask him if he doesn't get hints as to the demand for his goods, between the lines of his "price current," and if he doesn't govern himself accordingly in regulating the supply.