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Some Social and Economical Paradoxes

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SOME SOCIAL AND ECONOMICAL PARADOXES.

BY LESTER F. WARD.

Dr. Richard T. Ely, professor of political economy at the Johns Hopkins University, once did me the honor to preface one of his lectures by quoting from my work on *Dynamic Sociology* a passage relating to what I called the "paradoxes of nature," and by saying that the principle there involved was one that could be profitably applied to economic studies in general. I have since felt that perhaps it would be well, before others had gone far in this direction, for me to indicate some of the ways in which I had already foreseen the practicability of such an application, not only because it seemed fitting that I should break the way, but also because I somewhat apprehended that the principle might be inadequately grasped and erroneously applied. I carried it through the entire range of physical phenomena, showed its application to the world of life and of mind, pointed instances in morals, and introduced it into the domain of sociology. Even with my scanty reading in political economy, I was able to see that it was specially applicable to that field, but I did not feel qualified, nor do I now, to advance with confidence in this direction.

Without repeating anything that was there stated, I may mention as typical cases the rotundity of the earth and its revolution on an axis, both of which are facts directly opposed to common observation and unknown till the age of Copernicus. A closer examination shows that these cases are not exceptional, but that all natural truth contradicts the untrained experience of man, so that the apparent is always opposed to the real.

Until a domain of forces has become the subject of scientific study and discovery the phenomena it presents are in the highest degree illusive, and therefore the less a science is understood the less confidence can be placed in the theories which its phenomena appear to establish. Social and economic science deals with human motives and desires as its forces and human activities as its phenomena, than which nothing is more complex and difficult, and in such a field we should naturally expect that the greater part of what ap-

appears to be true is merely apparent, and that most of the real truths should seem to the common observer to be false. In the physical world science has now so far advanced that each new proposition has come to bear a certain mark, which, to the truly wise, distinguishes the genuine from the spurious or, at least, the legitimate from the illegitimate. Time was when this was not the case, and we are now, I believe, in a phase of the progress of social and economic science in which no such distinction is apparent among the theories that are current. Each one has to be separately scrutinized, an original judgment must be passed upon it, and it must be accepted or rejected wholly upon its own inherent merits.

I propose in this paper to point out a few of the maxims of social science, and especially of political economy, which appear to be on trial and to indicate what, as it seems to me, will probably be the verdict of time as to their acceptance or rejection. But in this I do not arrogate to myself any gift of prophecy or infallibility, for most of these problems are knotty and obscure, and it is of the utmost importance to recognize how much of what seems to be true is false and how much of what seems to be false is merely paradoxical.

I shall speak chiefly of certain statements of a few modern economic writers which are so much at variance with the current doctrines of political economy that, if true, they are certainly paradoxical, but before coming to these, and as a sort of preparation for them, I will first mention a few other propositions of a much broader character, which, assuming their correctness, may properly be called social or sociologic paradoxes.

I have preferred to state these apparently false propositions for the sake of defending them rather than to state the opposite and apparently true ones for the sake of combating them, because it is less important to lay stress upon the error contained in the latter than upon the truth contained in the former, and also because the method of explaining paradoxes possesses a certain novelty which that of exposing fallacies does not, and this of itself may add some zest to a subject which, at its best, will be regarded as dry, even if it be less "dismal" than the old-time political economy.

Perhaps the broadest of the paradoxes which can be claimed as sociologic, and which certainly applies to the next lower stage of biologic law, and still more obviously to physical phenomena, is embodied in the theorem that

The artificial is superior to the natural.

Certainly this proposition does not seem true, but, on the contrary, seems to contravene all our common instincts and intuitions; but when subjected to the proper tests it is found to be true in all the simpler departments of knowledge. Man can make very little use of anything in its natural state. Value, *i. e.*, utility, is imparted to raw materials only by labor and skill. The products of labor and skill are artificial, and scarcely anything has *actual* value, *i. e.*, capability of actual, immediate use, until it has been transformed from the natural into the artificial state. Therefore, if that which can be used is superior to that which cannot, the artificial is superior to the natural. Even those vegetable and animal products which have most value—the cereals, fruits, vegetables, superior breeds of cattle, horses, sheep, fowls, etc.—are the products of thought, intelligence, careful selection, and prolonged artificial culture and care, showing that the proposition holds true in the complex department of life as well as in the domain of mechanical law. It should and does hold true in the social world; but here, and here only, some of the highest authorities have disputed it. They decry all attempts at the artificial production of a higher social product, and call this interfering with natural laws. They base their opposition upon the idea, either expressed or implied, that the natural is superior to the artificial. This from our present standpoint is a *petitio principii*. It has usually been regarded as conclusive because no one seems to have questioned the major premise. This itself is now seen to be false when applied to the better-known departments of natural law. To deny of social forces what is admitted of physical and vital forces is to deny the existence of a social science. But our proposition does apply to society, for if it were true that the natural is here superior to the artificial then would anarchy be preferable to government.

Limiting the subject to this department, the strictly sociological paradox may be put in this form :

Social activities may be artificially regulated to the advantage of society.

Political economists maintain that the normal action of the laws that govern the social and industrial world are not only economical, but the best possible, and cannot be disturbed with impunity.

The philosophers of the individualist school take the same view. They sometimes go so far as to deny the expediency of sanitary regulation in cities, and maintain that the disease and mortality due to bad drainage will secure the improvement of the drainage by stimulating individual effort. They would have the lighting and paving of streets accomplished in the same way. Thus Mr. Herbert Spencer, who is admitted by all to be the leading sociologist of the world, says that "either by general government or by local government the levying of compulsory rates for draining and for paving and lighting is inadmissible as indirectly making legislative protection more costly than necessary, or, in other words, turning it into aggression. * * * Respecting sewerage there would be no difficulty. Houses might rightly be drained on the same mercantile principle that they are now supplied with water. It is highly probable that, in the hands of a private company, the resulting manure would not only pay the cost of collection, but would also yield a considerable profit. But if not, the return on the invested capital would be made up of charges to those whose houses were drained, the alternative of having the connection with the main sewer stopped being as good a security for payment as the analogous one possessed by gas and water companies. Paving and lighting would properly fall to the management of house-owners. Were there no public provision for such conveniences house-owners would quickly find it to their interest to furnish them. Some speculative building society having set the example of improvement in this direction, competition would do the rest. Dwellings without public footways before them and with no lamps to show the tenants to their doors would stand empty when better accommodation was offered; and good paving and lighting having thus become essential, landlords would combine for the more economical supply of them."

This is merely an example of the absurd lengths to which this favorite theory leads such writers. In the light of the sanitary progress of the nineteenth century, due entirely to organized social effort, such statements scarcely seem to emanate from a sane mind.

Starting from such extremes, it would not be difficult to show that the general doctrine of *laissez faire* is unsound when contemplated as a universal principle of sociology, and so much has latterly been said upon this point that many good writers, even in England, who still desire to hold on to the doctrine, such as Cairnes, Sidg-

wick, and Lefevre, are giving up its universal applicability and only contending for it in many cases on the ground of expediency. No one asks more than this, as no fair-minded person will deny that it is often better to allow the most absolute free play to the natural agencies, not merely of society, but of physical nature as well.

Not to dwell longer upon such broad generalizations, and coming now nearer to the domain of economics, I will state, at the risk of some apparent abruptness, another paradox in the following words:

Reforms are chiefly advocated by those who have no personal interest in them.

I do not claim that this is universal, and there usually comes a time in the history of every reform when the victims of the evil to be reformed join in the work and help to secure its consummation. But in some cases, such as the abolition of slavery, even this does not take place. Associations that are organized for charitable, benevolent, and reformatory objects are composed almost exclusively of persons who are actuated by purely altruistic motives and have nothing to gain beyond the approbation of their fellows. Labor-reform movements are usually instigated and largely prosecuted by persons who are only interested in their success from some high moral point of view. Sometimes they are the employers of labor, and workingmen's parties are often officered by lawyers, clergymen, professors in colleges, or writers on social topics. Selfish designs and personal ambition they doubtless often have, but very rarely are they men who would be pecuniarily affected by the success or failure of the cause.

I have introduced this principle chiefly in order to lay more special stress upon an important corollary to it, viz., that

Discontent increases with the improvement of the social condition.

No one will deny to this proposition, provided it can be proved true, the character of a social paradox. The mind naturally reasons that as the causes for complaint are removed the discontent should diminish. But such has not been the history of past progress; it is not the condition of the present progress of society. The reason for this, like the reasons for all natural truths, which seem false when first stated, is clear when the explanation is furnished. We saw that in the case of emancipation the entire reform must be accomplished

by others than the victims of slavery. We even hear of slaves who do not want their freedom. But however much they may want it, they are powerless to obtain it. And it is largely so with the industrial classes, who are not slaves in the accepted sense of the word. But up to a certain point they are, as truly as real slaves, both incapable of realizing the need of reform and powerless to act in improving their condition. Discontent is proportioned to the degree in which an oppressed class realizes its condition, and increases with the knowledge that relief is attainable by action. But this stage is not reached until external influences have already wrought an important change for the better. The French revolution did not come until the comparatively liberal king, Louis XVI, had called Turgot, a friend of the third estate, to his court and a great mitigation of popular grievances had taken place. Women did not begin to demand legal rights till most of the discriminations of the common law against them had been removed by statute. And, as we shall see, the workingmen did not become an element in politics until a great amelioration had taken place in their general condition.

This is the meaning of the paradox that discontent increases with improvement, but it should be noted that this presupposes the existence of hardship, and would be no longer true if entire justice could be attained.

The special importance of this law arises from the fact that one of the leading arguments against all attempts at industrial reform has been that the condition of the laboring classes is really improving. Mr. Henry George has greatly injured his case by denying this. His *Progress and Poverty* is little else than an elaboration of this denial—a systematic attempt to establish an untruth. This book has proved useful in stimulating honest inquiry into this question. It is now admitted at all hands that the condition of the working classes has improved and greatly improved in nearly all civilized countries. And it is claimed that on this account the discontent of labor is without good reason. But those who take this view do not understand that this discontent is wholly on account of the improvement that has taken place in the workingman's condition. It does prove, however, that the reform is not yet complete, and a movement that has reached the stage of arousing wide-spread discontent can never be arrested until all just grounds of discontent have been removed.

The next paradox to be considered is that in industrial society

The means of subsistence increase more rapidly than population.

This, as will be observed, is exactly reversing the Malthusian doctrine. The almost universal acceptance of that doctrine, especially by political economists, is sufficient to give to this proposition the paradoxical character claimed for it, provided it can be shown to be true. This proposition Mr. Henry George, in the work already referred to, undertook to defend, and in this, I must admit, he was successful. In doing so he seems to have grasped the important truth that society is to be regarded as a great coöperative institution, which naturally economizes the forces of production. Those who understand what the value of coöperation consists in know that the more general it is the more effective. Society, though a very imperfect form of coöperation, is a very general one, and it results, defective as it is, in a greater production *per capita* than could be secured by each individual working for himself—that is to say, the denser the population the greater the amount of subsistence produced by each person.

Two curious results flow from this, both of which are decidedly paradoxical: One is that this is the very truth which has been so exultantly brought out by the chief defenders of Malthusianism when showing that the condition of the disaffected classes is improving. It is improving and has been improving, with a few temporary interruptions, ever since the beginning of the industrial epoch; but this improvement has been the result of the division of labor, the employment of machinery, and of the general social integration and coöperation which the increase and massing of population call forth. The denser the population the greater the friction of mind upon mind, the more rapid the development of intelligence, the quicker the action of the inventive faculty, and the more exact, methodical, and economical the outlay of energy in the production of wealth. Everybody is familiar with this law in the obvious contrast between the intelligence and thrift of city and of country populations, and no part of the earth has ever been so densely peopled that it could not produce wealth more rapidly in proportion to population than when less densely peopled, provided there were no physical obstacles, such as enforced isolation, governmental oppression, or protracted war. The only other exception is in the case of rude, barbaric, or effete

racés, whom nothing can stimulate, and who possess no proper arts or industries. It is singular that the law of Malthus should be applicable only to these last-named cases—to savages and barbarians—and only partially to these, since association sharpens even their faculties. As a matter of fact, the Malthusian theory ignores the existence of mind and finds its only perfect expression in the animal world, where Darwin took it up and applied it to the immense advantage of biologic science. With the advanced human races the truth is found by exactly reversing the maxim of Malthus.

The second curious result of the truth, so successfully established by Mr. George, is that it serves as a flat contradiction of the fundamental theorem of his own book, viz., that poverty increases with wealth. It would, of course, be easy to find isolated cases, perhaps important departments of industry, in which the haphazard development of modern wealth-producing agencies has worked severe temporary hardship, but that they tend, using the old phrase, “to make the rich richer and the poor poorer” in any permanent or systematic way may be regarded as completely disproved.

Coming now fairly within the field of political economy, as that science is usually defined, let us note a paradox, which may be more or less directly affiliated upon the one last considered. It may be stated in this form :

Capital does more than labor towards the production of wealth.

In view of the popular belief that labor creates all wealth, this, if true, must certainly rank as a paradox. To perceive its truth we must consider what constitutes capital, and to do this successfully we must, for the time being, cut loose entirely from all the current definitions, however true they may be, and look at the problem from one special point of view. It is a common thing to hear it said that in the modern industrial world it is not human power that produces most of the wealth, but natural forces. This is true, and is one way of looking at it. It is equally common to hear it said that it is not muscle, but brain, that accomplishes the chief results. This is also true, and is another way of viewing the question. Brain—*i. e.*, intelligence—organizes and directs natural forces and the latter do the work. Still a third point of view is taken when it is said that it is machinery that performs most of the service. Machinery is the material embodiment of this intelligent direction of natural forces. But there is a fourth possible way of contemplating

this superhuman production of wealth, if I may be allowed such an expression, which few, I imagine, have employed, and that is to ascribe it to capital. Yet it is clearly correct to do this. The other explanations I have given are all partial and incomplete. The term "machinery" is too narrow. Even when it comprehends all kinds of implements and utensils it still fails to cover all forms of productive industry. "Natural forces" is an expression which requires the subtle explanation that it includes the properties of material substances to render it complete. "Intelligence" or "brain" is still more vague and difficult to reduce to economic language. But "capital" includes all these and every other possible agency or factor, and it is really to this that all production beyond what could have resulted from the exercise of naked human muscle is due. I need not attempt to explain how small a part of human wealth this latter would be. But this view of the subject brings out with especial force the truth of the original proposition with which we set out, that the artificial is superior to the natural.

Passing over the proposition that

Wages are drawn from products, not from capital,

which would have sounded paradoxical a short time ago, but is now accepted by most advanced economists, I now come to what I regard as the most important, as it is perhaps the most debatable, of all economic paradoxes. It may be expressed in the following form :

Profits rise with wages,

or in the stronger form :

Increase of wages results in increased profits.

Surely this proposition would stagger an old-time political economist, and very few employers, with the aid of the alleged unerring mercantile sagacity, could be brought to accept it. In fact, not only is the exact opposite theory the only one taught in the books, but the business of the whole world has always been conducted upon it, and to the normal mind the statement that profits will diminish as wages increase seems to be self-evident. How, then, can the opposite be maintained ?

We owe to Mr. George Gunton, the author of a recent work en-

titled "Wealth and Progress," the full elaboration of this new theorem, and to that work I must refer any who care to go more deeply into the question. The manner of proof is something like the arguments advanced in favor of non-resistance. Any one who understands it must admit its soundness, and yet if any small number were to attempt to practice it they would surely fail. It may be briefly stated somewhat in the following form :

Political economy, as expounded in all the books, teaches that industrial society is divided into two great classes—producers and consumers. In this classification the wage-receivers are uniformly regarded as producers. The consumers are a class who go into the market and purchase the products wrought by the wage-receivers. They are vaguely conceived, illy defined, never distinctly located, and, except that they do actually buy the goods and consume them, they are a sort of economic myth. The question, then, naturally arises, Who are these consumers? where are they? what are they? And when fairly looked at the answer is not difficult. A consumer is a human being. He is a part of the population. Somewhere in the population he is to be found. But who is there that is not a consumer? Clearly, no one. The consumers are the whole population. The wage-receivers must, therefore, be both producers and consumers, and when we consult the census we find that they, with their dependents, constitute the great majority. Therefore, in all calculations based upon the nature of the market, not only must they not be ignored, but they must be regarded as the prime factor. It may be said that they consume much less proportionally than other classes. Their humble rank and simple wants make them scanty consumers, and therefore it is necessary to bid for the custom of the middle and upper classes and ignore the laboring classes. No one will claim that they consume as much *per capita* as the rich, and of many products they consume none. But here again we may properly ask, why is this so? The obvious answer is, because they have not the means. But will any one claim that the working classes consume all they would if they had the means? Surely not. There may be some so low that they could make no use of anything more than they have, but this is scarcely conceivable. With hardly an exception they want much which they cannot have because they have not the means to purchase it. But their means consist wholly in their wages. To increase their wages is to supply their wants. The laborer wants increased wages only that he may supply his

needs, *i. e.*, that he may become a larger consumer. The employer is apt to look at the question as though all that were paid for labor beyond the absolute minimum would be hoarded and lost to industry. This view, tacitly shared by the economist, is obviously false. What to the laborer is the supplying of his wants is to the manufacturer and the farmer expanding the market. The vast number of laborers and the certainty that all increase of wages will be expended and not hoarded make even the smallest general rise in wages an important stimulus to production. It enlarges the market for all classes of products. Statistics show that periods of high wages have uniformly been periods of increased production, and increased production means prosperity to the manufacturer—*i. e.*, profits rise as wages rise.

From this, as the fundamental law, a large number of new and striking results, most of them in the nature of paradoxes, arise. Only a few of these can be considered here. One of them is that

Prices fall as wages rise.

This is maintained by Mr. Gunton in the face of his general law that the price is determined by the cost of production. Surely, one would suppose that the cost of production would be greater if the cost of labor were increased. Just here lies the paradox. Doubtless this would be true for an isolated case, but it would not be true where the rise in wages was on a large scale. The reason is that with the increase in wages the market is enlarged and production must be correspondingly increased. But as production was at the maximum for existing methods before, the increased production must now be brought about by an improvement in the methods—*i. e.*, by the introduction of improved machinery. This always lessens the cost of production, and as prices depend upon the cost of production they will necessarily fall.

To this law rent appears to be an exception, and there is reason to believe that Mr. Gunton so regards it. One would naturally suppose that rent, as the price paid for lodgings, business offices, space to build or work upon, or land to cultivate, would follow the law of prices and fall as wages rose. Mr. George virtually asserted this in maintaining that the rent was taken out of wages, so that the higher the rent the lower the wages. But Mr. Gunton shows that as rents have risen wages have also risen; that the highest wages are paid

where the highest rents are charged, viz., in cities, and that the lowest of all wages are received by those who pay no rent at all, but occupy the soil without let or hindrance. Nevertheless, I cannot admit that all this makes rent an exception to the law of prices. For although as wages rise higher rents will be paid, still they are paid for better tenements or more advantageous sites. The occupation of better premises is equivalent to increasing consumption, and this is the result of increased wages. Not only will better food, clothes, and furniture be obtained, but also better houses, shops, offices, and locations.

But perhaps the most important of the conclusions to which such an inquiry leads are those relating to the hours of labor. Two of these may be briefly considered. The first is that

A reduction of hours tends to increase production.

This perhaps sounds more paradoxical than any of the foregoing propositions. It seems absurd to say that more will be produced in eight hours than in ten. But let us see: The laborer remains a consumer the same after as before the reduction. Unless more machinery be introduced the same amount of manual labor will be required after as before to supply an unchanged demand. Hence a larger number of laborers must be employed. These, in the present state of industry, are always to be had. The average number of able-bodied workmen constantly out of and seeking employment is estimated to be one-fifth of the whole. As many of these as it required to balance the decrease of hours would at once find employment. While unemployed the amount consumed by them is at an absolute minimum. As soon as they begin to receive wages they begin to consume more, and thus the demand for various commodities is increased. This demand is sure to be met by increased production, which will be secured by the introduction of improved machinery if it cannot be done otherwise.

But this is not the only way in which a reduction of the hours of labor works an increase of production. By affording a little leisure to the workingman it gives him a taste, or rather an opportunity to indulge a taste already possessed, for certain elements of culture and certain social refinements which he will then begin to demand and which will be accordingly supplied, still further increasing the quantity and varying the quality of production.

But assuming that the workingman's earnings were previously all expended on necessities, this last consequence would be impossible, and hence arises the final paradox, that

The reduction of hours tends to increase wages.

But for the foregoing explanations this would sound strangely enough. Whenever there is an appeal for a reduction of hours it is always met by the reply that in the state of business it can only be granted on condition that wages be correspondingly reduced. Business competition is supposed to render profits impossible under any such change, and this doubtless would be the case with isolated industries, at least at the outset. A reduction of hours is considered equivalent to an increase of pay. But even on this view we have seen that, in the long run, profits rise with wages, and they may, therefore, be expected to rise with a reduction of hours. If the reduction is made general and continued long enough to produce its natural and final effect upon industry and upon society, it will certainly create an increased demand for all classes of commodities, requiring the introduction of improved machinery and methods in their production, cheapening the cost of their production, and thus so far increasing the profits of the manufacturer as to enable him to pay higher wages. In fact, he will be left no choice of his own in the matter, but under the laws of business competition he will be compelled to do so to prevent a reduction in his profits.

Without dwelling longer upon these several propositions I will close this paper with a single comment. If any considerable part of what is claimed is true it proves in a most conclusive manner what I have so often insisted upon, that to the power of production there is practically no limit, and that all that is needed to place in the possession of every member of society every object of his desire is the power to purchase it. Very few indeed are there who possess or can possess every purchasable object of desire. The present production of industrial society would not be equal to a tenth, probably not to a hundredth, of what would be consumed if every one could supply at will every proper and legitimate want of his nature. It is, therefore, useless to talk of increasing production except by the increase of the power to consume. The problem is, therefore, no longer how to increase production, but how to increase consumption—not the desire to consume, for that already

exists, nor the ability to render an equivalent, which is also abundantly possessed, but the chance to exercise that ability in the gratification of that desire; in a word, *the opportunity to earn*. That the reduction of the hours of labor is one of the means to that end is certainly clear. The discovery of other means and of the best way to put every means into practice seems to me to constitute the chief economic problem of our times.

BEE-HIVE STONE VAULTS.—The little bee-hive stone vaults discovered in a North Carolina mound, of which a description and figure were published in the *American Naturalist*, March, 1884, excited considerable curiosity, as they were the first of this form found in mounds in this country. Since that time the field assistants of the Division have probably discovered the point where tombs of this form were first built.

Five similarly shaped vaults, but in this case made of hardened clay, have been found at the bottom of a large mound in West Virginia. They were placed on the original surface of the ground, in a circle about the center. Some two or three others of a similar character were discovered in another mound in the same locality. Each contained what appeared to be the almost entirely decayed remains of a human body.

Another discovery made at the same place, taken in connection with a similar one made in East Tennessee, may possibly serve to throw some light on the use of the so-called "clay altars" of the Ohio mounds. In a single group not only have a few of these altars been found, but also basin-shaped beds of burnt clay which apparently were substitutes for these altars. In some cases two or three were placed in succession, one above another, with a stratum of ashes and coals between. Similar beds were discovered in East Tennessee in which were charred remains of stakes, rendering it probable that they were places where captives were burned. This supposition is strengthened by a statement made in Ramsey's "Annals of Tennessee" that a captive was taken by the Indians to the top of a mound in that section to be burned.

CYRUS THOMAS.