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Overproduction

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## OVERPRODUCTION.

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ALTHOUGH this is hardly a time of abnormal business depression, a great part of the industrial energies of the country are unemployed because of what is commonly called overproduction. We hear so much, and from so many quarters, of this overproduction that it is no wonder that there are many who hold, more or less definitely, that the great improvements in machinery and industrial processes have brought "dull times"; that the difficulty so many find in making a living is due to the increased capacity given to labor by discovery and invention, which have so reduced work that there is not now enough of it to go around, and that, to secure a more equitable division of the precious thing, we should limit the amount of work any one is permitted to do.

Ideas which thus reverse the principles we instinctively recognize in the every-day affairs of life are by no means confined to what are considered the less intelligent classes. They permeate the press, crop out in all discussions, and are carried into effect in legislation. No more than the housewife wants grease spilled over her kitchen floor, that she may have the work of cleaning it up, does any one want work for the sake of work. What they want is the things that work produces. Yet we maintain a tariff having for its express purpose the preventing of other nations from robbing us of work, and trunks are searched and mail matter opened lest any one should escape the penalty of bringing into the country the product of work done abroad. And so while workingmen protest against production by convict labor, manufacturers see no better remedy for dullness of trade than curtailing production.

If there really be such a thing as general overproduction, if we are really suffering from a plethora of wealth, then the remedy lies in the destruction of wealth. This is a *reductio ad absurdum*.

*dum.* But the fact cannot be disputed that the period of the Civil War, when the greatest destruction of wealth this country ever saw was going on, was a time of great business prosperity and industrial activity. Nor can this be explained upon any theory that we were then borrowing of the future. To borrow of the future is a physical impossibility. By no process of financial juggling can any one eat to-day the egg that is to be laid to-morrow. The ships that were sunk, the houses that were burned, the shot and powder fired away, and the immense amounts of other wealth unproductively consumed or wantonly destroyed were not future ships, houses, powder, and shot, but existing products of labor. Nor did we even borrow from abroad. As a people, we owed less to foreign nations at the end than at the beginning of the war.

Is there, then, such a thing as overproduction? Manifestly, there cannot be, in any general sense, until more wealth is produced than is wanted. In any unqualified sense, overproduction is preposterous, when everywhere the struggle to get wealth is so intense; when so many must worry and strain to get a living, and there is actual want among large classes. The manner in which the strain of the war was borne shows how great are the forces of production which, in normal times, go to waste; proves that what we suffer from now is not overproduction, but underproduction.

Relative overproduction there, of course, may be. The desires for different forms of wealth vary in intensity and in sequence, and are related one with another. I may want both a pair of shoes and a dozen pocket-handkerchiefs, but my desire for the shoes is first and strongest; and upon the terms on which I can get the shoes may in large measure depend my ability to get the handkerchiefs. So, in the aggregate demand for the different forms of wealth, there is a similar relation. And as, under the division of labor characteristic of the modern industrial system, nearly all production is carried on with the view, not of consumption by the immediate producers, but of exchange for other productions, certain commodities may be produced so far in excess of their 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 capital and labor engaged in bringing them to market. This disproportionate production of some

things, which is overproduction in relation to the production of other things, is the only kind of overproduction that can take place on any considerable scale, and the overproduction of which we hear so much is evidently of this character.

But what is the cause of this relative overproduction? That is the important question. Does it spring, as some of the socialists seem to think, from the lack of intelligent direction in production, which requires for its remedy governmental supervision of industry? Is it due to any removable cause, or must we, as the penalty for having called steam and machinery to the aid of human muscles, accept conditions in which men suffer from want while warehouses are glutted?

To answer these questions let us examine the phenomena more closely. What is relative overproduction when viewed from one side is evidently relative underproduction when viewed from the other. And what we call overproduction as to any particular commodity or commodities may proceed from increased production of things of one kind or from decreased production of things of other kinds. Thus the original impulse which produces relative overproduction may be one stimulative of production or one restrictive of production. But, while the phenomena of relative overproduction may thus arise from causes opposite in essential character, it is only within a limited field and to a limited extent that causes so different in their nature can produce similar results. This we may see if we note the different general effects which follow increase or diminution of production in any special branch of industry. Let us suppose, for instance, that there is, from some discovery or improvement, an increase in the production of coal, out of proportion to the increase of other productions. More coal thus being brought to market than can be sold at previous rates, the price falls. The result is, that all the consumers of coal who so desire can increase their consumption of coal, and those who do not wish more coal can increase their consumption of other things, while, in all branches of industry where coal is used, the cheapening of coal reduces cost and stimulates production. Thus the general effects of the increase in the production of coal, as they become diffused over the whole field of industry, are to increase all other production, and to reëstablish an equilibrium between the production of coal and the production of other things on a basis of increased production.

But suppose some cause, natural or artificial, to check the production of coal so that it falls below the previous proportion to other production. Its price rises, and the consumers of coal must use less coal or less of something else. Miners, transporters, etc., of coal find themselves out of employment, and their power of purchasing commodities cut off or diminished. At the same time, the enhanced price of coal makes production more costly in all branches of industry which make use of coal, and thus the general effects of the diminution in the production of coal are to reduce all other production, and the restoration of equilibrium, when it again takes place, will be on a basis of diminished production. Thus we see that the general effect of increase of production in any particular branch of industry is to increase production in all branches, while the general effect of decrease of production in any particular branch of industry is to generally decrease production.

Or to put it in another way: Trade being the exchange of commodities for commodities, in which money is but the common measure of values and instrument of transfer, supply of commodities of one kind is demand for commodities of other kinds. Whatever, therefore, causes the bringing to market of an increased amount of commodities, at once increases the supply of those commodities and the demand for other commodities, thus increasing the volume of trade and generally increasing production. Whatever, on the other hand, diminishes the amount of commodities brought to market, at once decreases supply and diminishes demand, lessening the volume of trade and decreasing general production.

This we see very plainly in relation to those branches of production in which the varying character of the seasons causes marked alterations. Good crops mean increased demand of all kinds, active trade, and general prosperity, although it may be that to many farmers, or perhaps to farmers in general, the immediate benefit of unusually large crops is neutralized by the lower prices consequent on relative overproduction. And reversely, although to many farmers, and perhaps to farmers in general, the immediate effect of a poor crop may be compensated for in higher prices, yet poor crops mean to the community at large decreased demand of all kinds, dull trade, and hard times.

It is thus apparent that, while relative overproduction of any commodity or group of commodities may arise either from

increase in the production of these commodities or from decrease in the production of other commodities, yet there are differences in the general results springing from these two differing causes which will enable us to infer from which of the two any particular disturbance of the equilibrium proceeds. If the nature of the primary cause be to increase production, its secondary or diffused effects must be to stimulate production generally, to augment the volume and increase the briskness of trade; and whatever be the disturbance in the branch or branches of production in which the impulse is first felt, it will soon pass away as the stimulating impulse communicates itself to other branches. But when the nature of the primary cause is to check production, the impulse persists in the checking of other production, and its general effects are to diminish demand and cause dullness in trade, the disturbance which it first causes tending to perpetuate itself in wider circles, causing a dislocation in the interlaced machinery of production and exchange, which is finally reduced only at the cost of deprivation and suffering.

To illustrate, let us suppose discoveries or inventions which so increase productive power in certain branches of industry that, even with the increased demand which follows reduced price, not so many hands are needed in those employments as before. But the same cause which thus displaces labor in certain employments operates, in the way before pointed out, to create a greater demand for labor in other employments and thus to facilitate redistribution without loss or suffering. Suppose, however, a check to production, which operates to a like extent in lessening the demand for labor in the same branches of industry. The cause which thus displaces labor in these departments operates, in this case, to reduce the demand for labor in other departments, making it harder instead of easier for the labor displaced in one occupation to find employment in others. Displacement thus tends to further displacement, and waste and suffering are extended and protracted.

Looking at the phenomena which present themselves to-day in the dullness of trade, the forced idleness of laborers, and the curtailment of production in so many branches of industry, and which in times of marked industrial depression present themselves in aggravated form, there can be no difficulty in deciding to which class of primary causes they are due. They are not due to causes primarily operating to increase production,

even if to increase it disproportionately, but to causes which primarily operate to check production. It is not true, as the New York "Herald" says, in cutting down the margin of the news-dealers, that the country is producing too much—an assertion that in one form or another is echoed generally by the press. What is true is that the country is producing too little. Reductions in wages and in profits, the fall of interest, dullness of trade, the involuntary idleness of men who would gladly be at work, are not the symptoms of too great a production of wealth; they are the symptoms of restriction upon the production of wealth.

Nor have we far to look to recognize restrictions upon the production of wealth sufficient to account for all these phenomena—restrictions which prevent that interaction of demand and supply which, under conditions of freedom, will determine the proportion that all branches of production should bear to one another with infinitely greater promptness and exactness than could any human intellect. In the first place, almost all our taxes, either purposely or incidentally, restrict production. Taxes upon the exchange of commodities are as much taxes upon the production of commodities as taxes directly levied upon production. We maintain an enormous tariff upon imports for the express purpose of hampering and restricting the exchange of commodities—a tariff which extorts from the producers of the country a greater revenue to the Government than even the profligacy which it has engendered can find excuse to spend; which in addition extorts from producers a probably still greater sum for the benefit of favored individuals and corporations, whose lobbyists almost mob Congress when any proposition for the reduction of taxation is made; and which still further causes waste and loss that probably exceed both what goes to the Government and what goes to the favored interests. Our national internal revenue taxation is, moreover, not merely for the most part a direct tax upon production,—for, whatever may be said against the use of whisky and tobacco, their production, from the economic stand-point, is as truly the production of wealth as is the production of bread and cheese,—but it is a taxation which creates monopolies.

Nor have we even internal free trade, although, thanks to the constitution, the political power is prohibited from interfering with it. But we have suffered the corporations to whom we

have left the control of the great highways over which our internal commerce must pass, to assume the taxing power. They are not only suffered to practically charge their own prices for transportation, but they are permitted to impose what are virtually differential duties. They not only charge more for carrying goods a shorter distance than for a longer distance, but make discriminations not founded upon bulk, weight, or risk, which have the same effect as protective duties, drawbacks, and bounties.\*

To all these checks and impediments to production,—these barriers which prevent that free interaction of supply and demand which would automatically preserve the proper proportion between the various forms of production,—we must add in the account much of the taxation levied by our States, counties, and municipalities. How local taxation operates to check production, we may see from the marked stimulus that has in some of the States been given to certain forms of production by the promise of exemption from taxation for a term of years. But it is hardly necessary to point to these, since it is self-evident that the taxation of wealth must tend to reduce the production of wealth. To tax savings is clearly to lessen the incentive to save; to tax buildings, to lessen the incentive to build; to tax the improved farm on its improvements is to lessen the reward of the farmer's toil and to discourage improvements. In fact, our State and local taxes are in large part as stupid as our national taxes. Even one too careless or too dull to see through the fallacies of protection must see that to tax wealth is to lessen it, and to tax improvements is to check improvement. When dogs are too many, we impose a dog tax. To lessen the number of liquor saloons, we impose a tax upon liquor saloons; and in the same way taxes upon buildings, or goods, or ships, or railroads, or any other desirable form of wealth must operate. Thus in many ways, directly and indirectly, purposely and incidentally, is production hampered and checked. But after we have considered all this, a still greater and more important check to production remains.

\* "When such duties [turnpike tolls] are imposed not according to bulk or weight, but according to the supposed value of the goods, they become properly a sort of inland customs or excise which obstructs very much the most important of all branches of commerce, the interior commerce of the country."—*Adam Smith, Wealth of Nations, Book V., Chap. II.*



What is production? In all its forms, it is, in the last analysis, the exertion of labor upon land. Therefore, the value of land—the price that labor must pay to obtain the use of land—operates as a constant bar to production. We are accustomed to regard increase in land values as the evidence of general prosperity. So it is, after a fashion, just as the greatness of the burden piled upon a mule's back is evidence of his strength. But those who get their living by their labor have as much reason to congratulate themselves upon the advance of land values as the pack-mule has to congratulate himself on the increase of his load. The increase of land values means that labor must pay more for the use of land; that of the aggregate production a larger share must go to those who do nothing to aid production; for though the individual land-owner may be also a laborer or a capitalist, or both, yet no land-owner, as a land-owner, contributes in any way to production. He is a mere burden and parasite—a dead weight that production is forced to carry, because of his appropriation of the natural factor of production.

To see how the value of land—and especially that speculative value that is an anticipation of what labor in the future may be forced to pay—bars and checks production, whoever reads this may see if he will look around him. Wherever men have begun to settle and land to acquire value, there the repressive effect upon the production of wealth is visible. To illustrate by an example. In New York, the pressure of population is so great that no one, unless he be rich, dreams of having a house to himself. The vast majority of the people live, family above family, in one, two, or three rooms, most of them wanting in light, in ventilation, and in facilities for cleanliness and decency. Tenement-houses, fifteen stories high, are now being put up, and the newer dwellings cover ninety feet of one-hundred-foot lots. Yet on Manhattan Island there are over fifty-eight thousand absolutely vacant lots; and, to say nothing of Brooklyn, over one-half of the land within the corporate limits of New York is unbuilt upon. Why does not the great demand for houses cover all these vacant lots in a single season with buildings? It would, were there not a barrier to the production of houses that rises with the demand. That barrier is the high price of land. Before the man who wishes to build a house can get a lot on which to build he must pay from \$5000 to \$75,000, or agree to pay an equivalent ground-rent; and when

he gets his house built, he will be fined with a tax upon it for having thus added to the wealth and conveniences of the city. And so goats and rubbish occupy vacant lots, while human beings are crowded into tenement-houses under conditions that produce physical disease and moral deterioration.

What may be seen in New York may be seen in degree in every city in the land; and through the country, population will be found to be scattered and emigrants toiling past vacant or half-used acres, impelled by the same cause. Wherever population is likely to come, wherever labor will soon seek for land, there does the dog-in-the-manger plant himself, to prevent production until he gets his legalized black-mail, and in many cases refusing what black-mail he could now get, in the hope of greater black-mail in the future. Here is the great check to production, which, gathering force with every season of half-way prosperity, so restricts production as to disturb the symmetry and coördination of industry, and, propagating itself in lessened demand, produces these phenomena so generally attributed to "overproduction."

It must be manifest, indeed, to any one who will think a moment, that phenomena so wide-spread and persistent must come mainly from barriers which prevent labor from applying itself to land. The occupations which most largely and directly make use of land are the primitive and fundamental occupations. All other occupations rise out of and rest upon these. The manufacturer and merchant presuppose the farmer. A community could not exist in which all men were tailors, printers, jewelers, or machinists. Starvation would ensue. But communities in which all men are farmers may exist. That is to say, in all the secondary and derivative occupations, production depends upon production in other occupations, but in the primary occupations which directly obtain wealth from nature there is no such limitation. In these, men can directly supply their primary wants, and increased production in these increases the demand for production in secondary occupations which minister to secondary wants. Thus, when land is free to the laborer, whatever relative overproduction may occur can only be trivial and temporary, the possibility of indefinite expansion in the primary occupations sufficing to take up the displaced labor and restore equilibrium. Chronic dullness of trade, protracted industrial depression, is only possible when this recourse is prevented.

What, and what alone, is needed to secure the proper proportion of the different forms of production, the health and symmetry of the industrial organism, is freedom. Idle labor, wasting capital, the glut of markets, the co-existence of poverty and of unused wealth are the results of restrictions which prevent the free circulation of productive forces. The remedy is in the removal of restrictions. This may be accomplished in a simple way.

Taxation upon the production, exchange, or accumulation of wealth checks production; but taxation which falls upon land values reduces a barrier to production. Therefore, to give productive forces freedom, all we have to do is to concentrate our taxation upon land values.

And in thus making land free to the laborer, in thus removing the restrictions which now hamper the interaction of supply and demand, we should so simplify our governmental machinery, so remove corrupting influences from our politics that we might, without fear of jumping from frying-pan to fire, include in the province of public administration such properly public functions as the working of telegraphs and railroads.

HENRY GEORGE.