

BOOK V

THE PROBLEM SOLVED

CHAPTER I.—THE PRIMARY CAUSE OF RECURRING PAROXYSMS
OF INDUSTRIAL DEPRESSION

CHAPTER II.—THE PERSISTENCE OF POVERTY AMID ADVANCING
WEALTH

To whomsoever the soil at any time belongs, to him belong the fruits of it. White parasols, and elephants mad with pride are the flowers of a grant of land.—*Sir Wm. Jones' translation of an Indian grant of land, found at Tanna.*

The widow is gathering nettles for her children's dinner; a perfumed seigneur, delicately lounging in the *Œil de Bœuf*, hath an alchemy whereby he will extract from her the third nettle, and call it rent.—*Carlyle.*

CHAPTER I

THE PRIMARY CAUSE OF RECURRING PAROXYSMS OF INDUSTRIAL DEPRESSION

Our long inquiry is ended. We may now marshal the results.

To begin with the industrial depressions, to account for which so many contradictory and self-contradictory theories are broached.

A consideration of the manner in which the speculative advance in land values cuts down the earnings of labor and capital and checks production leads, I think, irresistibly to the conclusion that this is the main cause of those periodical industrial depressions to which every civilized country, and all civilized countries together, seem increasingly liable.

I do not mean to say that there are not other proximate causes. The growing complexity and interdependence of the machinery of production, which makes each shock or stoppage propagate itself through a widening circle; the essential defect of currencies which contract when most needed, and the tremendous alternations in volume that occur in the simpler forms of commercial credit, which, to a much greater extent than currency in any form, constitute the medium or flux of exchanges; the protective tariffs which present artificial barriers to the interplay of productive forces, and other similar causes, undoubtedly bear important part in producing and continuing what are called hard times. But, both from the consideration of principles and the obser-

vation of phenomena, it is clear that the great initiatory cause is to be looked for in the speculative advance of land values.

In the preceding chapter I have shown that the speculative advance in land values tends to press the margin of cultivation, or production, beyond its normal limit, thus compelling labor and capital to accept of a smaller return, or (and this is the only way they can resist the tendency) to cease production. Now, it is not only natural that labor and capital should resist the crowding down of wages and interest by the speculative advance of rent, but they are driven to this in self-defense, inasmuch as there is a minimum of return below which labor cannot exist nor capital be maintained. Hence, from the fact of speculation in land, we may infer all the phenomena which mark these recurring seasons of industrial depression.

Given a progressive community, in which population is increasing and one improvement succeeds another, and land must constantly increase in value. This steady increase naturally leads to speculation in which future increase is anticipated, and land values are carried beyond the point at which, under the existing conditions of production, their accustomed returns would be left to labor and capital. Production, therefore, begins to stop. Not that there is necessarily, or even probably, an absolute diminution in production; but that there is what in a progressive community would be equivalent to an absolute diminution of production in a stationary community—a failure in production to increase proportionately, owing to the failure of new increments of labor and capital to find employment at the accustomed rates.

This stoppage of production at some points must necessarily show itself at other points of the industrial network, in a cessation of demand, which would again

check production there, and thus the paralysis would communicate itself through all the interlacings of industry and commerce, producing everywhere a partial dis-jointing of production and exchange, and resulting in the phenomena that seem to show over-production or over-consumption, according to the standpoint from which they are viewed.

The period of depression thus ensuing would continue until (1) the speculative advance in rents had been lost; or (2) the increase in the efficiency of labor, owing to the growth of population and the progress of improvement, had enabled the normal rent line to overtake the speculative rent line; or (3) labor and capital had become reconciled to engaging in production for smaller returns. Or, most probably, all three of these causes would co-operate to produce a new equilibrium, at which all the forces of production would again engage, and a season of activity ensue; whereupon rent would begin to advance again, a speculative advance again take place, production again be checked, and the same round be gone over.

In the elaborate and complicated system of production which is characteristic of modern civilization, where, moreover, there is no such thing as a distinct and independent industrial community, but geographically or politically separated communities blend and interlace their industrial organizations in different modes and varying measures, it is not to be expected that effect should be seen to follow cause as clearly and definitely as would be the case in a simpler development of industry, and in a community forming a complete and distinct industrial whole; but, nevertheless, the phenomena actually presented by these alternate seasons of activity and depression clearly correspond with those we have inferred from the speculative advance of rent.

Deduction thus shows the actual phenomena as result-

ing from the principle. If we reverse the process, it is as easy by induction to reach the principle by tracing up the phenomena.

These seasons of depression are always preceded by seasons of activity and speculation, and on all hands the connection between the two is admitted—the depression being looked upon as the reaction from the speculation, as the headache of the morning is the reaction from the debauch of the night. But as to the manner in which the depression results from the speculation, there are two classes or schools of opinion, as the attempts made on both sides of the Atlantic to account for the present industrial depression will show.

One school says that the speculation produced the depression by causing over-production, and point to the warehouses filled with goods that cannot be sold at remunerative prices, to mills closed or working on half time, to mines shut down and steamers laid up, to money lying idly in bank vaults, and workmen compelled to idleness and privation. They point to these facts as showing that the production has exceeded the demand for consumption, and they point, moreover, to the fact that when government during war enters the field as an enormous consumer, brisk times prevail, as in the United States during the civil war and in England during the Napoleonic struggle.

The other school says that the speculation has produced the depression by leading to over-consumption, and point to full warehouses, rusting steamers, closed mills, and idle workmen as evidences of a cessation of effective demand, which, they say, evidently results from the fact that people, made extravagant by a fictitious prosperity, have lived beyond their means, and are now obliged to retrench—that is, to consume less wealth. They point, moreover, to the enormous consumption of wealth by wars, by the building of unre-

munerative railroads, by loans to bankrupt governments, etc., as extravagances which, though not felt at the time, just as the spendthrift does not at the moment feel the impairment of his fortune, must now be made up by a season of reduced consumption.

Now, each of these theories evidently expresses one side or phase of a general truth, but each of them evidently fails to comprehend the full truth. As an explanation of the phenomena, each is equally and utterly preposterous.

For while the great masses of men want more wealth than they can get, and while they are willing to give for it that which is the basis and raw material of wealth—their labor—how can there be over-production? And while the machinery of production wastes and producers are condemned to unwilling idleness, how can there be over-consumption?

When, with the desire to consume more, there co-exist the ability and willingness to produce more, industrial and commercial paralysis cannot be charged either to over-production or to over-consumption. Manifestly, the trouble is that production and consumption cannot meet and satisfy each other.

How does this inability arise? It is evidently and by common consent the result of speculation. But of speculation in what?

Certainly not of speculation in things which are the products of labor—in agricultural or mineral productions, or manufactured goods, for the effect of speculation in such things, as is well shown in current treatises that spare me the necessity of illustration, is simply to equalize supply and demand, and to steady the interplay of production and consumption by an action analogous to that of a fly-wheel in a machine.

Therefore, if speculation be the cause of these industrial depressions, it must be speculation in things not

the production of labor, but yet necessary to the exertion of labor in the production of wealth—of things of fixed quantity; that is to say, it must be speculation in land.

That land speculation is the true cause of industrial depression is, in the United States, clearly evident. In each period of industrial activity land values have steadily risen, culminating in speculation which carried them up in great jumps. This has been invariably followed by a partial cessation of production, and its correlative, a cessation of effective demand (dull trade), generally accompanied by a commercial crash; and then has succeeded a period of comparative stagnation, during which the equilibrium has been again slowly established, and the same round been run again. This relation is observable throughout the civilized world. Periods of industrial activity always culminate in a speculative advance of land values, followed by symptoms of checked production, generally shown at first by cessation of demand from the newer countries, where the advance in land values has been greatest.

That this must be the main explanation of these periods of depression, will be seen by an analysis of the facts.

All trade, let it be remembered, is the exchange of commodities for commodities, and hence the cessation of demand for some commodities, which marks the depression of trade, is really a cessation in the supply of other commodities. That dealers find their sales declining and manufacturers find orders falling off, while the things which they have to sell, or stand ready to make, are things for which there is yet a widespread desire, simply shows that the supply of other things, which in the course of trade would be given for them, has declined. In common parlance we say that "buyers have no money," or that "money is becoming scarce," but in talking in this way we ignore the fact that money

is but the medium of exchange. What the would-be buyers really lack is not money, but commodities which they can turn into money—what is really becoming scarcer is produce of some sort. The diminution of the effective demand of consumers is therefore but a result of the diminution of production.

This is seen very clearly by storekeepers in a manufacturing town when the mills are shut down and operatives thrown out of work. It is the cessation of production which deprives the operatives of means to make the purchases they desire, and thus leaves the storekeeper with what, in view of the lessened demand, is a superabundant stock, and forces him to discharge some of his clerks and otherwise reduce his demands. And the cessation of demand (I am speaking, of course, of general cases and not of any alteration in relative demand from such causes as change of fashion), which has left the manufacturer with superabundant stock and compelled him to discharge his hands, must arise in the same way. Somewhere, it may be at the other end of the world, a check in production has produced a check in the demand for consumption. That demand is lessened without want being satisfied, shows that production is somewhere checked.

People want the things the manufacturer makes as much as ever, just as the operatives want the things the storekeeper has to sell. But they do not have as much to give for them. Production has somewhere been checked, and this reduction in the supply of some things has shown itself in cessation of demand for others, the check propagating itself through the whole framework of industry and exchange. Now, the industrial pyramid manifestly rests on the land. The primary and fundamental occupations, which create a demand for all others, are evidently those which extract wealth from nature, and, hence, if we trace from one exchange point

to another, and from one occupation to another, this check to production, which shows itself in decreased purchasing power, we must ultimately find it in some obstacle which checks labor in expending itself on land. And that obstacle, it is clear, is the speculative advance in rent, or the value of land, which produces the same effects as (in fact, it is) a lock-out of labor and capital by land owners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point, cessation of supply becoming failure of demand, until, so to speak, the whole machine is thrown out of gear, and the spectacle is everywhere presented of labor going to waste while laborers suffer from want.

This strange and unnatural spectacle of large numbers of willing men who cannot find employment is enough to suggest the true cause to whomsoever can think consecutively. For, though custom has dulled us to it, it is a strange and unnatural thing that men who wish to labor, in order to satisfy their wants, cannot find the opportunity—as, since labor is that which produces wealth, the man who seeks to exchange labor for food, clothing, or any other form of wealth, is like one who proposes to give bullion for coin, or wheat for flour. We talk about the supply of labor and the demand for labor, but, evidently, these are only relative terms. The supply of labor is everywhere the same—two hands always come into the world with one mouth, twenty-one boys to every twenty girls; and the demand for labor must always exist as long as men want things which labor alone can procure. We talk about the “want of work,” but, evidently, it is not work that is short while want continues; evidently, the supply of labor cannot be too great, nor the demand for labor too small, when people suffer for the lack of things that labor produces. The real trouble must be that supply is somehow pre-

vented from satisfying demand, that somewhere there is an obstacle which prevents labor from producing the things that laborers want.

Take the case of any one of these vast masses of unemployed men, to whom, though he never heard of Malthus, it to-day seems that there are too many people in the world. In his own wants, in the needs of his anxious wife, in the demands of his half-cared-for, perhaps even hungry and shivering children, there is demand enough for labor, Heaven knows! In his own willing hands is the supply. Put him on a solitary island, and though cut off from all the enormous advantages which the co-operation, combination, and machinery of a civilized community give to the productive powers of man, yet his two hands can fill the mouths and keep warm the backs that depend upon them. Yet where productive power is at its highest development they cannot. Why? Is it not because in the one case he has access to the material and forces of nature, and in the other this access is denied?

Is it not the fact that labor is thus shut off from nature which can alone explain the state of things that compels men to stand idle who would willingly supply their wants by their labor? The proximate cause of enforced idleness with one set of men may be the cessation of demand on the part of other men for the particular things they produce, but trace this cause from point to point, from occupation to occupation, and you will find that enforced idleness in one trade is caused by enforced idleness in another, and that the paralysis which produces dullness in all trades cannot be said to spring from too great a supply of labor or too small a demand for labor, but must proceed from the fact that supply cannot meet demand by producing the things which supply want and are the object of labor.

Now, what is necessary to enable labor to produce

these things, is land. When we speak of labor creating wealth, we speak metaphorically. Man creates nothing. The whole human race, were they to labor forever, could not create the tiniest mote that floats in a sunbeam—could not make this rolling sphere one atom heavier or one atom lighter. In producing wealth, labor, with the aid of natural forces, but works up, into the forms desired, pre-existing matter, and, to produce wealth, must, therefore, have access to this matter and to these forces—that is to say, to land. The land is the source of all wealth. It is the mine from which must be drawn the ore that labor fashions. It is the substance to which labor gives the form. And, hence, when labor cannot satisfy its wants, may we not with certainty infer that it can be from no other cause than that labor is denied access to land?

When in all trades there is what we call scarcity of employment; when, everywhere, labor wastes, while desire is unsatisfied, must not the obstacle which prevents labor from producing the wealth it needs, lie at the foundation of the industrial structure? That foundation is land. Milliners, optical instrument makers, gilders, and polishers, are not the pioneers of new settlements. Miners did not go to California or Australia because shoemakers, tailors, machinists, and printers were there. But those trades followed the miners, just as they are now following the gold diggers into the Black Hills and the diamond diggers into South Africa. It is not the storekeeper who is the cause of the farmer, but the farmer who brings the storekeeper. It is not the growth of the city that develops the country, but the development of the country that makes the city grow. And, hence, when, through all trades, men willing to work cannot find opportunity to do so, the difficulty must arise in the employment that creates a demand

for all other employments—it must be because labor is shut out from land.

In Leeds or Lowell, in Philadelphia or Manchester, in London or New York, it may require a grasp of first principles to see this; but where industrial development has not become so elaborate, nor the extreme links of the chain so widely separated, one has but to look at obvious facts. Although not yet thirty years old, the city of San Francisco, both in population and in commercial importance, ranks among the great cities of the world, and, next to New York, is the most metropolitan of American cities. Though not yet thirty years old, she has had for some years an increasing number of unemployed men. Clearly, here, it is because men cannot find employment in the country that there are so many unemployed in the city; for when the harvest opens they go trooping out, and when it is over they come trooping back to the city again. If these now unemployed men were producing wealth from the land, they would not only be employing themselves, but would be employing all the mechanics of the city, giving custom to the storekeepers, trade to the merchants, audiences to the theaters, and subscribers and advertisements to the newspapers—creating effective demand that would be felt in New England and Old England, and wherever throughout the world come the articles that, when they have the means to pay for them, such a population consumes.

Now, why is it that this unemployed labor cannot employ itself upon the land? Not that the land is all in use. Though all the symptoms that in older countries are taken as showing a redundancy of population are beginning to manifest themselves in San Francisco, it is idle to talk of redundancy of population in a State that with greater natural resources than France has not yet a million of people. Within a few miles of San

Francisco is unused land enough to give employment to every man who wants it. I do not mean to say that every unemployed man could turn farmer or build himself a house, if he had the land; but that enough could and would do so to give employment to the rest. What is it, then, that prevents labor from employing itself on this land? Simply, that it has been monopolized and is held at speculative prices, based not upon present value, but upon the added value that will come with the future growth of population.

What may thus be seen in San Francisco by whoever is willing to see, may, I doubt not, be seen as clearly in other places.

The present commercial and industrial depression, which first clearly manifested itself in the United States in 1872, and has spread with greater or less intensity over the civilized world, is largely attributed to the undue extension of the railroad system, with which there are many things that seem to show its relation. I am fully conscious that the construction of railroads before they are actually needed may divert capital and labor from more to less productive employments, and make a community poorer instead of richer; and when the railroad mania was at its highest, I pointed this out in a political tract addressed to the people of California; * but to assign to this wasting of capital such a widespread industrial dead-lock seems to me like attributing an unusually low tide to the drawing of a few extra bucketfuls of water. The waste of capital and labor during the civil war was enormously greater than it could possibly be by the construction of unnecessary railroads, but without producing any such result. And, certainly, there seems to be little sense in talking of the waste of capital and labor in railroads as causing this

* The Subsidy Question and the Democratic Party, 1871.

depression, when the prominent feature of the depression has been the superabundance of capital and labor seeking employment.

Yet, that there is a connection between the rapid construction of railroads and industrial depression, any one who understands what increased land values mean, and who has noticed the effect which the construction of railroads has upon land speculation, can easily see. Wherever a railroad was built or projected, lands sprang up in value under the influence of speculation, and thousands of millions of dollars were added to the nominal values which capital and labor were asked to pay outright, or to pay in installments, as the price of being allowed to go to work and produce wealth. The inevitable result was to check production, and this check to production propagated itself in a cessation of demand, which checked production to the furthest verge of the wide circle of exchanges, operating with accumulated force in the centers of the great industrial commonwealth into which commerce links the civilized world.

The primary operations of this cause can, perhaps, be nowhere more clearly traced than in California, which, from its comparative isolation, has constituted a peculiarly well-defined community.

Until almost its close, the last decade was marked in California by the same industrial activity which was shown in the Northern States, and, in fact, throughout the civilized world, when the interruption of exchanges and the disarrangement of industry caused by the war and the blockade of Southern ports is considered. This activity could not be attributed to inflation of the currency or to lavish expenditures of the General Government, to which in the Eastern States the comparative activity of the same period has since been attributed; for, in spite of legal tender laws, the Pacific Coast adhered to a coin currency, and the taxation of the Federal

Government took away very much more than was returned in Federal expenditures. It was attributable solely to normal causes, for, though placer mining was declining, the Nevada silver mines were being opened, wheat and wool were beginning to take the place of gold in the table of exports, and an increasing population and the improvement in the methods of production and exchange were steadily adding to the efficiency of labor.

With this material progress went on a steady enhancement in land values—its consequence. This steady advance engendered a speculative advance, which, with the railroad era, ran up land values in every direction. If the population of California had steadily grown when the long, costly, fever-haunted Isthmus route was the principal mode of communication with the Atlantic States, it must, it was thought, increase enormously with the opening of a road which would bring New York harbor and San Francisco Bay within seven days' easy travel, and when in the State itself the locomotive took the place of stage coach and freight wagon. The expected increase of land values which would thus accrue was discounted in advance. Lots on the outskirts of San Francisco rose hundreds and thousands per cent., and farming land was taken up and held for high prices, in whichever direction an immigrant was likely to go.

But the anticipated rush of immigrants did not take place. Labor and capital could not pay so much for land and make fair returns. Production was checked, if not absolutely, at least relatively. As the transcontinental railroad approached completion, instead of increased activity symptoms of depression began to manifest themselves; and, when it was completed, to the season of activity had succeeded a period of depression which has not since been fully recovered from, during which wages and interest have steadily fallen. What I have called the actual rent line, or margin of cultiva-

tion, is thus (as well as by the steady march of improvement and increase of population, which, though slower than it otherwise would have been, still goes on) approaching the speculative rent line, but the tenacity with which a speculative advance in the price of land is maintained in a developing community is well known.*

Now, what thus went on in California went on in every progressive section of the Union. Everywhere that a railroad was built or projected, land was monopolized in anticipation, and the benefit of the improvement was discounted in increased land values. The speculative advance in rent thus outrunning the normal advance, production was checked, demand was decreased, and labor and capital were turned back from occupations more directly concerned with land, to glut those in which the value of land is a less perceptible element. It is thus that the rapid extension of railroads is related to the succeeding depression.

And what went on in the United States went on in a greater or less obvious degree all over the progressive world. Everywhere land values have been steadily increasing with material progress, and everywhere this increase begot a speculative advance. The impulse of the primary cause not only radiated from the newer sections of the Union to the older sections, and from the United States to Europe, but everywhere the primary cause was acting. And, hence, a world-wide depression of industry and commerce, begotten of a world-wide material progress.

* It is astonishing how in a new country of great expectations speculative prices of land will be kept up. It is common to hear the expression, "There is no market for real estate; you cannot sell it at any price," and yet, at the same time, if you go to buy it, unless you find somebody who is absolutely compelled to sell, you must pay the prices that prevailed when speculation ran high. For owners, believing that land values must ultimately advance, hold on as long as they can.

There is one thing which, it may seem, I have overlooked, in attributing these industrial depressions to the speculative advance of rent or land values as a main and primary cause. The operation of such a cause, though it may be rapid, must be progressive—resembling a pressure, not a blow. But these industrial depressions seem to come suddenly—they have, at their beginning, the character of a paroxysm, followed by a comparative lethargy, as if of exhaustion. Everything seems to be going on as usual, commerce and industry vigorous and expanding, when suddenly there comes a shock, as of a thunderbolt out of a clear sky—a bank breaks, a great manufacturer or merchant fails, and, as if a blow had thrilled through the entire industrial organization, failure succeeds failure, and on every side workmen are discharged from employment, and capital shrinks into profitless security.

Let me explain what I think to be the reason of this: To do so, we must take into account the manner in which exchanges are made, for it is by exchanges that all the varied forms of industry are linked together into one mutually related and interdependent organization. To enable exchanges to be made between producers far removed by space and time, large stocks must be kept in store and in transit, and this, as I have already explained, I take to be the great function of capital, in addition to that of supplying tools and seed. These exchanges are, perhaps necessarily, largely made upon credit—that is to say, the advance upon one side is made before the return is received on the other.

Now, without stopping to inquire as to the causes, it is manifest that these advances are, as a rule, from the more highly organized and later developed industries to the more fundamental. The West Coast African, for instance, who exchanges palm oil and cocoanuts for gaudy calico and Birmingham idols, gets his return

immediately; the English merchant, on the contrary, has to lay out of his goods a long while before he gets his returns. The farmer can sell his crop as soon as it is harvested, and for cash; the great manufacturer must keep a large stock, send his goods long distances to agents, and, generally, sell on time. Thus, as advances and credits are generally from what we may call the secondary, to what we may call the primary industries, it follows that any check to production which proceeds from the latter will not immediately manifest itself in the former. The system of advances and credits constitutes, as it were, an elastic connection, which will give considerably before breaking, but which, when it breaks, will break with a snap.

Or, to illustrate in another way what I mean: The great pyramid of Gizeh is composed of layers of masonry, the bottom layer, of course, supporting all the rest. Could we by some means gradually contract this bottom layer, the upper part of the pyramid would for some time retain its form, and then, when gravitation at length overcame the adhesiveness of the material, would not diminish gradually and regularly, but would break off suddenly, in large pieces. Now, the industrial organization may be likened to such a pyramid. What is the proportion which in a given stage of social development the various industries bear to each other, it is difficult, and perhaps impossible, to say; but it is obvious that there is such a proportion, just as in a printer's font of type there is a certain proportion between the various letters. Each form of industry, as it is developed by division of labor, springs from and rises out of the others, and all rest ultimately upon land; for, without land, labor is as impotent as would be a man in void space. To make the illustration closer to the condition of a progressive country, imagine a pyramid composed of superimposed layers—the whole constantly

growing and expanding. Imagine the growth of the layer nearest the ground to be checked. The others will for a time keep on expanding—in fact, for the moment, the tendency will be to quicker expansion, for the vital force which is refused scope on the ground layer will strive to find vent in those above—until, at length, there is a decided overbalance and a sudden crumbling along all the faces of the pyramid.

That the main cause and general course of the recurring paroxysms of industrial depression, which are becoming so marked a feature of modern social life, are thus explained, is, I think, clear. And let the reader remember that it is only the main causes and general courses of such phenomena that we are seeking to trace or that, in fact, it is possible to trace with any exactness. Political economy can deal, and has need to deal, only with general tendencies. The derivative forces are so multiform, the actions and reactions are so various, that the exact character of the phenomena cannot be predicted. We know that if a tree is cut through it will fall, but precisely in what direction will be determined by the inclination of the trunk, the spread of the branches, the impact of the blows, the quarter and force of the wind; and even a bird lighting on a twig, or a frightened squirrel leaping from bough to bough, will not be without its influence. We know that an insult will arouse a feeling of resentment in the human breast, but to say how far and in what way it will manifest itself, would require a synthesis which would build up the entire man and all his surroundings, past and present.

The manner in which the sufficient cause to which I have traced them explains the main features of these industrial depressions is in striking contrast with the contradictory and self-contradictory attempts which have been made to explain them on the current theories of the distribution of wealth. That a speculative ad-

vance in rent or land values invariably precedes each of these seasons of industrial depression is everywhere clear. That they bear to each other the relations of cause and effect, is obvious to whomsoever considers the necessary relations between land and labor.

And that the present depression is running its course, and that, in the manner previously indicated, a new equilibrium is being established, which will result in another season of comparative activity, may already be seen in the United States. The normal rent line and the speculative rent line are being brought together: (1) By the fall in speculative land values, which is very evident in the reduction of rents and shrinkage of real estate values in the principal cities. (2) By the increased efficiency of labor, arising from the growth of population and the utilization of new inventions and discoveries, some of which almost as important as that of the use of steam we seem to be on the verge of grasping. (3) By the lowering of the habitual standard of interest and wages, which, as to interest, is shown by the negotiation of a government loan at four per cent., and as to wages is too generally evident for any special citation. When the equilibrium is thus re-established, a season of renewed activity, culminating in a speculative advance of land values, will set in.* But wages and interest will not recover their lost ground. The net result of all these perturbations or wave-like movements is the gradual forcing of wages and interest toward their minimum. These temporary and recurring depressions exhibit, in fact, as was noticed in the opening chapter, but intensifications of the general movement which accompanies material progress.

* This was written a year ago. It is now (July, 1879) evident that a new period of activity has commenced, as above predicted, and in New York and Chicago real estate prices have already begun to recover.

CHAPTER II

THE PERSISTENCE OF POVERTY AMID ADVANCING WEALTH

The great problem, of which these recurring seasons of industrial depression are but peculiar manifestations, is now, I think, fully solved, and the social phenomena which all over the civilized world appall the philanthropist and perplex the statesman, which hang with clouds the future of the most advanced races, and suggest doubts of the reality and ultimate goal of what we have fondly called progress, are now explained.

The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages.

In every direction, the direct tendency of advancing civilization is to increase the power of human labor to satisfy human desires—to extirpate poverty, and to banish want and the fear of want. All the things in which progress consists, all the conditions which progressive communities are striving for, have for their direct and natural result the improvement of the material (and consequently the intellectual and moral) condition of all within their influence. The growth of population, the increase and extension of exchanges, the discoveries of science, the march of invention, the spread of education, the improvement of government, and the

amelioration of manners, considered as material forces, have all a direct tendency to increase the productive power of labor—not of some labor, but of all labor; not in some departments of industry, but in all departments of industry; for the law of the production of wealth in society is the law of “each for all, and all for each.”

But labor cannot reap the benefits which advancing civilization thus brings, because they are intercepted. Land being necessary to labor, and being reduced to private ownership, every increase in the productive power of labor but increases rent—the price that labor must pay for the opportunity to utilize its powers; and thus all the advantages gained by the march of progress go to the owners of land, and wages do not increase. Wages cannot increase; for the greater the earnings of labor the greater the price that labor must pay out of its earnings for the opportunity to make any earnings at all. The mere laborer has thus no more interest in the general advance of productive power than the Cuban slave has in advance in the price of sugar. And just as an advance in the price of sugar may make the condition of the slave worse, by inducing the master to drive him harder, so may the condition of the free laborer be positively, as well as relatively, changed for the worse by the increase in the productive power of his labor. For, begotten of the continuous advance of rents, arises a speculative tendency which discounts the effect of future improvements by a still further advance of rent, and thus tends, where this has not occurred from the normal advance of rent, to drive wages down to the slave point—the point at which the laborer can just live.

And thus robbed of all the benefits of the increase in productive power, labor is exposed to certain effects of advancing civilization which, without the advantages that naturally accompany them, are positive evils, and

of themselves tend to reduce the free laborer to the helpless and degraded condition of the slave.

For all improvements which add to productive power as civilization advances consist in, or necessitate, a still further subdivision of labor, and the efficiency of the whole body of laborers is increased at the expense of the independence of the constituents. The individual laborer acquires knowledge of and skill in but an infinitesimal part of the varied processes which are required to supply even the commonest wants. The aggregate produce of the labor of a savage tribe is small, but each member is capable of an independent life. He can build his own habitation, hew out or stitch together his own canoe, make his own clothing, manufacture his own weapons, snares, tools and ornaments. He has all the knowledge of nature possessed by his tribe—knows what vegetable productions are fit for food, and where they may be found; knows the habits and resorts of beasts, birds, fishes, and insects; can pilot himself by the sun or the stars, by the turning of blossoms or the mosses on the trees; is, in short, capable of supplying all his wants. He may be cut off from his fellows and still live; and thus possesses an independent power which makes him a free contracting party in his relations to the community of which he is a member.

Compare with this savage the laborer in the lowest ranks of civilized society, whose life is spent in producing but one thing, or oftener but the infinitesimal part of one thing, out of the multiplicity of things that constitute the wealth of society and go to supply even the most primitive wants; who not only cannot make even the tools required for his work, but often works with tools that he does not own, and can never hope to own. Compelled to even closer and more continuous labor than the savage, and gaining by it no more than the savage gets—the mere necessities of life—he loses the

independence of the savage. He is not only unable to apply his own powers to the direct satisfaction of his own wants, but, without the concurrence of many others, he is unable to apply them indirectly to the satisfaction of his wants. He is a mere link in an enormous chain of producers and consumers, helpless to separate himself, and helpless to move, except as they move. The worse his position in society, the more dependent is he on society; the more utterly unable does he become to do anything for himself. The very power of exerting his labor for the satisfaction of his wants passes from his own control, and may be taken away or restored by the actions of others, or by general causes over which he has no more influence than he has over the motions of the solar system. The primeval curse comes to be looked upon as a boon, and men think, and talk, and clamor, and legislate as though monotonous manual labor in itself were a good and not an evil, an end and not a means. Under such circumstances, the man loses the essential quality of manhood—the godlike power of modifying and controlling conditions. He becomes a slave, a machine, a commodity—a thing, in some respects, lower than the animal.

I am no sentimental admirer of the savage state. I do not get my ideas of the untutored children of nature from Rousseau, or Chateaubriand, or Cooper. I am conscious of its material and mental poverty, and its low and narrow range. I believe that civilization is not only the natural destiny of man, but the enfranchisement, elevation, and refinement of all his powers, and think that it is only in such moods as may lead him to envy the cud-chewing cattle, that a man who is free to the advantages of civilization could look with regret upon the savage state. But, nevertheless, I think no one who will open his eyes to the facts can resist the conclusion that there are in the heart of our civilization

large classes with whom the veriest savage could not afford to exchange. It is my deliberate opinion that if, standing on the threshold of being, one were given the choice of entering life as a Tierra del Fuegan, a black fellow of Australia, an Esquimaux in the Arctic Circle, or among the lowest classes in such a highly civilized country as Great Britain, he would make infinitely the better choice in selecting the lot of the savage. For those classes who in the midst of wealth are condemned to want suffer all the privations of the savage, without his sense of personal freedom; they are condemned to more than his narrowness and littleness, without opportunity for the growth of his rude virtues; if their horizon is wider, it is but to reveal blessings that they cannot enjoy.

There are some to whom this may seem like exaggeration, but it is only because they have never suffered themselves to realize the true condition of those classes upon whom the iron heel of modern civilization presses with full force. As De Tocqueville observes, in one of his letters to Mme. Swetchine, "we so soon become used to the thought of want that we do not feel that an evil which grows greater to the sufferer the longer it lasts becomes less to the observer by the very fact of its duration;" and perhaps the best proof of the justice of this observation is that in cities where there exists a pauper class and a criminal class, where young girls shiver as they sew for bread, and tattered and bare-footed children make a home in the streets, money is regularly raised to send missionaries to the heathen! Send missionaries to the heathen! it would be laughable if it were not so sad. Baal no longer stretches forth his hideous, sloping arms; but in Christian lands mothers slay their infants for a burial fee! And I challenge the production from any authentic accounts of savage life of such descriptions of degradation as are to be found in

official documents of highly civilized countries—in reports of Sanitary Commissioners and of inquiries into the condition of the laboring poor.

The simple theory which I have outlined (if indeed it can be called a theory which is but the recognition of the most obvious relations) explains this conjunction of poverty with wealth, of low wages with high productive power, of degradation amid enlightenment, of virtual slavery in political liberty. It harmonizes, as results flowing from a general and inexorable law, facts otherwise most perplexing, and exhibits the sequence and relation between phenomena that without reference to it are diverse and contradictory. It explains why interest and wages are higher in new than in older communities, though the average, as well as the aggregate, production of wealth is less. It explains why improvements which increase the productive power of labor and capital increase the reward of neither. It explains what is commonly called the conflict between labor and capital, while proving the real harmony of interest between them. It cuts the last inch of ground from under the fallacies of protection, while showing why free trade fails to benefit permanently the working classes. It explains why want increases with abundance, and wealth tends to greater and greater aggregations. It explains the periodically recurring depressions of industry without recourse either to the absurdity of "over-production" or the absurdity of "over-consumption." It explains the enforced idleness of large numbers of would-be producers, which wastes the productive force of advanced communities, without the absurd assumption that there is too little work to do or that there are too many to do it. It explains the ill effects upon the laboring classes which often follow the introduction of machinery, without denying the natural advantages which the use of machinery gives. It explains the vice and

misery which show themselves amid dense population, without attributing to the laws of the All-Wise and All-Beneficent defects which belong only to the short-sighted and selfish enactments of men.

This explanation is in accordance with all the facts.

Look over the world to-day. In countries the most widely differing—under conditions the most diverse as to government, as to industries, as to tariffs, as to currency—you will find distress among the working classes; but everywhere that you thus find distress and destitution in the midst of wealth you will find that the land is monopolized; that instead of being treated as the common property of the whole people, it is treated as the private property of individuals; that, for its use by labor, large revenues are extorted from the earnings of labor. Look over the world to-day, comparing different countries with each other, and you will see that it is not the abundance of capital or the productiveness of labor that makes wages high or low; but the extent to which the monopolizers of land can, in rent, levy tribute upon the earnings of labor. Is it not a notorious fact, known to the most ignorant, that new countries, where the aggregate wealth is small, but where land is cheap, are always better countries for the laboring classes than the rich countries, where land is dear? Wherever you find land relatively low, will you not find wages relatively high? And wherever land is high, will you not find wages low? As land increases in value, poverty deepens and pauperism appears. In the new settlements, where land is cheap, you will find no beggars, and the inequalities in condition are very slight. In the great cities, where land is so valuable that it is measured by the foot, you will find the extremes of poverty and of luxury. And this disparity in condition between the two extremes of the social scale may always be measured by the price of land. Land in New York

is more valuable than in San Francisco; and in New York, the San Franciscan may see squalor and misery that will make him stand aghast. Land is more valuable in London than in New York; and in London, there is squalor and destitution worse than that of New York.

Compare the same country in different times, and the same relation is obvious. As the result of much investigation, Hallam says he is convinced that the wages of manual labor were greater in amount in England during the middle ages than they are now. Whether this is so or not, it is evident that they could not have been much, if any, less. The enormous increase in the efficiency of labor, which even in agriculture is estimated at seven or eight hundred per cent., and in many branches of industry is almost incalculable, has only added to rent. The rent of agricultural land in England is now, according to Professor Rogers, 120 times as great, measured in money, as it was 500 years ago, and 14 times as great, measured in wheat; while in the rent of building land, and mineral land, the advance has been enormously greater. According to the estimate of Professor Fawcett, the capitalized rental value of the land of England now amounts to £4,500,000,000, or \$21,870,000,000—that is to say, a few thousand of the people of England hold a lien upon the labor of the rest, the capitalized value of which is more than twice as great as, at the average price of Southern negroes in 1860, would be the value of her whole population were they slaves.

In Belgium and Flanders, in France and Germany, the rent and selling price of agricultural land have doubled within the last thirty years.* In short, increased power of production has everywhere added to the value of land; nowhere has it added to the value of

* *Systems of Land Tenure*, published by the Cobden Club.

labor; for though actual wages may in some places have somewhat risen, the rise is clearly attributable to other causes. In more places they have fallen—that is, where it has been possible for them to fall—for there is a minimum below which laborers cannot keep up their numbers. And, everywhere, wages, as a proportion of the produce, have decreased.

How the Black Death brought about the great rise of wages in England in the Fourteenth Century is clearly discernible, in the efforts of the land holders to regulate wages by statute. That that awful reduction in population, instead of increasing, really reduced the effective power of labor, there can be no doubt; but the lessening of competition for land still more greatly reduced rent, and wages advanced so largely that force and penal laws were called in to keep them down. The reverse effect followed the monopolization of land that went on in England during the reign of Henry VIII, in the inclosure of commons and the division of the church lands between the panders and parasites who were thus enabled to found noble families. The result was the same as that to which a speculative increase in land values tends. According to Malthus (who, in his "Principles of Political Economy," mentions the fact without connecting it with land tenures), in the reign of Henry VII, half a bushel of wheat would purchase but little more than a day's common labor, but in the latter part of the reign of Elizabeth, half a bushel of wheat would purchase three days' common labor. I can hardly believe that the reduction in wages could have been so great as this comparison would indicate; but that there was a reduction in common wages, and great distress among the laboring classes, is evident from the complaints of "sturdy vagrants" and the statutes made to suppress them. The rapid monopolization of the land, the carrying of the speculative rent line beyond the nor-

mal rent line, produced tramps and paupers, just as like effects from like causes have lately been evident in the United States.

"Land which went heretofore for twenty or forty pounds a year," said Hugh Latimer, "now is let for fifty or a hundred. My father was a yeoman, and had no lands of his own; only he had a farm at a rent of three or four pounds by the year at the uttermost, and thereupon he tilled so much as kept half a dozen men. He had walk for a hundred sheep, and my mother milked thirty kine; he was able and did find the King a harness with himself and his horse when he came to the place that he should receive the King's wages. I can remember that I buckled his harness when he went to Blackheath Field. He kept me to school; he married my sisters with five pounds apiece, so that he brought them up in godliness and fear of God. He kept hospitality for his neighbors and some alms he gave to the poor. And all this he did of the same farm, where he that now hath it payeth sixteen pounds rent or more by year, and is not able to do anything for his Prince, for himself, nor his children, nor to give a cup of drink to the poor."

"In this way," said Sir Thomas More, referring to the ejection of small farmers which characterized this advance of rent, "it cometh to pass that these poor wretches, men, women, husbands, orphans, widows, parents with little children, householders greater in number than in wealth, all of these emigrate from their native fields, without knowing where to go."

And so from the stuff of the Latimers and Mores—from the sturdy spirit that amid the flames of the Oxford stake cried, "Play the man, Master Ridley!" and the mingled strength and sweetness that neither prosperity could taint nor the ax of the executioner abash—were evolved thieves and vagrants, the mass of criminality and pauperism that still blights the innermost

petals and preys a gnawing worm at the root of England's rose.

But it were as well to cite historical illustrations of the attraction of gravitation. The principle is as universal and as obvious. That rent *must* reduce wages, is as clear as that the greater the subtractor the less the remainder. That rent *does* reduce wages, any one, wherever situated, can see by merely looking around him.

There is no mystery as to the cause which so suddenly and so largely raised wages in California in 1849, and in Australia in 1852. It was the discovery of the placer mines in unappropriated land to which labor was free that raised the wages of cooks in San Francisco restaurants to \$500 a month, and left ships to rot in the harbor without officers or crew until their owners would consent to pay rates that in any other part of the globe seemed fabulous. Had these mines been on appropriated land, or had they been immediately monopolized so that rent could have arisen, it would have been land values that would have leaped upward, not wages. The Comstock lode has been richer than the placers, but the Comstock lode was readily monopolized, and it is only by virtue of the strong organization of the Miners' Association and the fears of the damage which it might do, that enables men to get four dollars a day for parboiling themselves two thousand feet underground, where the air that they breathe must be pumped down to them. The wealth of the Comstock lode has added to rent. The selling price of these mines runs up into hundreds of millions, and it has produced individual fortunes whose monthly returns can be estimated only in hundreds of thousands, if not in millions. Nor is there any mystery about the cause which has operated to reduce wages in California from the maximum of the early days to very nearly a level with wages in the

Eastern States, and that is still operating to reduce them. The productiveness of labor has not decreased, on the contrary it has increased, as I have before shown; but, out of what it produces labor has now to pay rent. As the placer deposits were exhausted, labor had to resort to the deeper mines and to agricultural land, but monopolization of these being permitted, men now walk the streets of San Francisco ready to go to work for almost anything—for natural opportunities are now no longer free to labor.

The truth is self-evident. Put to any one capable of consecutive thought this question:

“Suppose there should arise from the English Channel or the German Ocean a No-man’s land on which common labor to an unlimited amount should be able to make ten shillings a day and which should remain unappropriated and of free access, like the commons which once comprised so large a part of English soil. What would be the effect upon wages in England?”

He would at once tell you that common wages throughout England must soon increase to ten shillings a day.

And in response to another question, “What would be the effect on rents?” he would at a moment’s reflection say that rents must necessarily fall; and if he thought out the next step he would tell you that all this would happen without any very large part of English labor being diverted to the new natural opportunities, or the forms and direction of industry being much changed; only that kind of production being abandoned which now yields to labor and to landlord together less than labor could secure on the new opportunities. The great rise in wages would be at the expense of rent.

Take now the same man or another—some hard-headed business man, who has no theories, but knows how to make money. Say to him: “Here is a little

village; in ten years it will be a great city—in ten years the railroad will have taken the place of the stage coach, the electric light of the candle; it will abound with all the machinery and improvements that so enormously multiply the effective power of labor. Will, in ten years, interest be any higher?"

He will tell you, "No!"

"Will the wages of common labor be any higher; will it be easier for a man who has nothing but his labor to make an independent living?"

He will tell you, "No; the wages of common labor will not be any higher; on the contrary, all the chances are that they will be lower; it will not be easier for the mere laborer to make an independent living; the chances are that it will be harder."

"What, then, will be higher?"

"Rent; the value of land. Go, get yourself a piece of ground, and hold possession."

And if, under such circumstances, you take his advice, you need do nothing more. You may sit down and smoke your pipe; you may lie around like the lazzaroni of Naples or the leperos of Mexico; you may go up in a balloon, or down a hole in the ground; and without doing one stroke of work, without adding one iota to the wealth of the community, in ten years you will be rich! In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse.

In all our long investigation we have been advancing to this simple truth: That as land is necessary to the exertion of labor in the production of wealth, to command the land which is necessary to labor, is to command all the fruits of labor save enough to enable labor to exist. We have been advancing as through an enemy's country, in which every step must be secured, every position fortified, and every by-path explored; for this simple truth, in its application to social and

political problems, is hid from the great masses of men partly by its very simplicity, and in greater part by widespread fallacies and erroneous habits of thought which lead them to look in every direction but the right one for an explanation of the evils which oppress and threaten the civilized world. And back of these elaborate fallacies and misleading theories is an active, energetic power, a power that in every country, be its political forms what they may, writes laws and molds thought—the power of a vast and dominant pecuniary interest.

But so simple and so clear is this truth, that to see it fully once is always to recognize it. There are pictures which, though looked at again and again, present only a confused labyrinth of lines or scroll work—a landscape, trees, or something of the kind—until once the attention is called to the fact that these things make up a face or a figure. This relation once recognized, is always afterward clear. It is so in this case. In the light of this truth all social facts group themselves in an orderly relation, and the most diverse phenomena are seen to spring from one great principle. It is not in the relations of capital and labor; it is not in the pressure of population against subsistence, that an explanation of the unequal development of our civilization is to be found. The great cause of inequality in the distribution of wealth is inequality in the ownership of land. The ownership of land is the great fundamental fact which ultimately determines the social, the political, and consequently the intellectual and moral condition of a people. And it must be so. For land is the habitation of man, the storehouse upon which he must draw for all his needs, the material to which his labor must be applied for the supply of all his desires; for even the products of the sea cannot be taken, the light of the sun enjoyed, or any of the forces of nature utilized,

without the use of land or its products. On the land we are born, from it we live, to it we return again—children of the soil as truly as is the blade of grass or the flower of the field. Take away from man all that belongs to land, and he is but a disembodied spirit. Material progress cannot rid us of our dependence upon land; it can but add to the power of producing wealth from land; and hence, when land is monopolized, it might go on to infinity without increasing wages or improving the condition of those who have but their labor. It can but add to the value of land and the power which its possession gives. Everywhere, in all times, among all peoples, the possession of land is the base of aristocracy, the foundation of great fortunes, the source of power. As said the Brahmins, ages ago—

“To whomsoever the soil at any time belongs, to him belong the fruits of it. White parasols and elephants mad with pride are the flowers of a grant of land.”