

THE QUESTION OF THE MAXIMUM

For any social movement or development there must be a maximum limit beyond which it cannot proceed. That civilization which does not advance must decline, and so, when the maximum of development has been reached in any given direction, society must either retrograde or change the direction of its advance. There are many families of men that have failed, in the critical period of their economic evolution, to effect a change in direction, and were forced to fall back. Vanquished at the moment of their maximum, they have dropped out of the whirl of the world. There was no room for them. Stronger competitors have taken their places, and they have either rotted into oblivion or remain to be crushed under the iron heel of the dominant races in as remorseless a struggle as the world has yet witnessed. But in this struggle fair women and chivalrous men will play no part. Types and ideals have changed. Helens and Launcelots are anachronisms. Blows will be given and taken, and men fight and die, but not for faiths and altars. Shrines will be desecrated, but they will be the shrines, not of temples, but market-places. Prophets will arise, but they will be the prophets of prices and products. Battles will be waged, not for honor and glory, nor for thrones and sceptres, but for dollars and cents and for marts and exchanges. Brain and not brawn will endure, and the captains of war will be commanded by the captains of industry. In short, it will be a contest for the mastery of the world's commerce and for industrial supremacy.

It is more significant, this struggle into which we have plunged, for the fact that it is the first struggle to involve the globe. No general movement of man has been so wide-spreading, so far-reaching. Quite local was the supremacy of any ancient people; likewise the rise to empire of Macedonia and Rome, the waves of Arabian valor and fanaticism, and the mediaeval crusades to the Holy Sepulchre. But since those times the planet has undergone a unique shrinkage.

The world of Homer, limited by the coast-lines of the Mediterranean and Black seas, was a far vaster world than ours of today, which we weigh, measure, and compute as accurately and as easily as if it were a child's play-ball. Steam has made its parts accessible and drawn them closer together. The telegraph annihilates space and time. Each morning, every part knows what every other part is thinking, contemplating, or doing. A discovery in a German laboratory is being demonstrated in San Francisco within twenty-four hours. A book written in South Africa is published by simultaneous copyright in every English-speaking country, and on the day following is in the hands of the translators. The death of an obscure missionary in China, or of a whiskey-smuggler in the South Seas, is served, the world over, with the morning toast. The wheat output of Argentine or the gold of Klondike are known wherever men meet and trade. Shrinkage, or centralization, has become such that the humblest clerk in any metropolis may place his hand on the pulse of the world. The planet has indeed grown very small; and because of this, no vital movement can remain in the clime or country where it takes its rise.

And so today the economic and industrial impulse is world-wide. It is a matter of import to every people. None may be careless of it. To do so is to perish. It is become a battle, the fruits of which are to the strong, and to none but the strongest of the strong. As the movement approaches its maximum, centralization accelerates and competition grows keener and closer. The competitor nations cannot all succeed. So long as the movement continues its present direction, not only will there not be room for all, but the room that is will become less and less; and when the moment of the maximum is at hand, there will be no room at all. Capitalistic production will have overreached itself, and a change of direction will then be inevitable.

Divers queries arise: What is the maximum of commercial development the world can sustain? How far can it be exploited? How much capital is necessary? Can sufficient capital be accumulated? A brief resume of the industrial history of the last one hundred years or so will be relevant at this stage of the discussion. Capitalistic production, in its modern significance, was born of the industrial revolution in England in the latter half of the eighteenth century. The great inventions of that period were both its father and its mother, while, as Mr. Brooks Adams has shown, the looted treasure of India was the potent midwife. Had there not been an unwonted increase of capital, the impetus would not have been given to invention, while even steam might have languished for generations instead of at once becoming, as it did, the most prominent factor in the new method of production. The improved application of these inventions in the first decades of the nineteenth century mark the

transition from the domestic to the factory system of manufacture and inaugurated the era of capitalism. The magnitude of this revolution is manifested by the fact that England alone had invented the means and equipped herself with the machinery whereby she could overstock the world's markets. The home market could not consume a tithe of the home product. To manufacture this home product she had sacrificed her agriculture. She must buy her food from abroad, and to do so she must sell her goods abroad.

But the struggle for commercial supremacy had not yet really begun. England was without a rival. Her navies controlled the sea. Her armies and her insular position gave her peace at home. The world was hers to exploit. For nearly fifty years she dominated the European, American, and Indian trade, while the great wars then convulsing society were destroying possible competitive capital and straining consumption to its utmost. The pioneer of the industrial nations, she thus received such a start in the new race for wealth that it is only today the other nations have succeeded in overtaking her. In 1820 the volume of her trade (imports and exports) was 68,000,000 pounds. In 1899 it had increased to 815,000,000 pounds,--an increase of 1200 per cent in the volume of trade.

For nearly one hundred years England has been producing surplus value. She has been producing far more than she consumes, and this excess has swelled the volume of her capital. This capital has been invested in her enterprises at home and abroad, and in her shipping. In 1898 the Stock Exchange estimated British capital invested abroad at 1,900,000,000

pounds. But hand in hand with her foreign investments have grown her adverse balances of trade. For the ten years ending with 1868, her average yearly adverse balance was 52,000,000 pounds; ending with 1878, 81,000,000 pounds; ending with 1888, 101,000,000 pounds; and ending with 1898, 133,000,000 pounds. In the single year of 1897 it reached the portentous sum of 157,000,000 pounds.

But England's adverse balances of trade in themselves are nothing at which to be frightened. Hitherto they have been paid from out the earnings of her shipping and the interest on her foreign investments. But what does cause anxiety, however, is that, relative to the trade development of other countries, her export trade is falling off, without a corresponding diminution of her imports, and that her securities and foreign holdings do not seem able to stand the added strain. These she is being forced to sell in order to pull even. As the London Times gloomily remarks, "We are entering the twentieth century on the down grade, after a prolonged period of business activity, high wages, high profits, and overflowing revenue." In other words, the mighty grasp England held over the resources and capital of the world is being relaxed. The control of its commerce and banking is slipping through her fingers. The sale of her foreign holdings advertises the fact that other nations are capable of buying them, and, further, that these other nations are busily producing surplus value.

The movement has become general. Today, passing from country to country, an ever-increasing tide of capital is welling up. Production is doubling

and quadrupling upon itself. It used to be that the impoverished or undeveloped nations turned to England when it came to borrowing, but now Germany is competing keenly with her in this matter. France is not averse to lending great sums to Russia, and Austria-Hungary has capital and to spare for foreign holdings.

Nor has the United States failed to pass from the side of the debtor to that of the creditor nations. She, too, has become wise in the way of producing surplus value. She has been successful in her efforts to secure economic emancipation. Possessing but 5 per cent of the world's population and producing 32 per cent of the world's food supply, she has been looked upon as the world's farmer; but now, amidst general consternation, she comes forward as the world's manufacturer. In 1888 her manufactured exports amounted to \$130,300,087; in 1896, to \$253,681,541; in 1897, to \$279,652,721; in 1898, to \$307,924,994; in 1899, to \$338,667,794; and in 1900, to \$432,000,000. Regarding her growing favorable balances of trade, it may be noted that not only are her imports not increasing, but they are actually falling off, while her exports in the last decade have increased 72.4 per cent. In ten years her imports from Europe have been reduced from \$474,000,000 to \$439,000,000; while in the same time her exports have increased from \$682,000,000 to \$1,111,000,000. Her balance of trade in her favor in 1895 was \$75,000,000; in 1896, over \$100,000,000; in 1897, nearly \$300,000,000; in 1898, \$615,000,000; in 1899, \$530,000,000; and in 1900, \$648,000,000.

In the matter of iron, the United States, which in 1840 had not dreamed of entering the field of international competition, in 1897, as much to her own surprise as any one else's, undersold the English in their own London market. In 1899 there was but one American locomotive in Great Britain; but, of the five hundred locomotives sold abroad by the United States in 1902, England bought more than any other country. Russia is operating a thousand of them on her own roads today. In one instance the American manufacturers contracted to deliver a locomotive in four and one-half months for \$9250, the English manufacturers requiring twenty-four months for delivery at \$14,000. The Clyde shipbuilders recently placed orders for 150,000 tons of plates at a saving of \$250,000, and the American steel going into the making of the new London subway is taken as a matter of course. American tools stand above competition the world over. Ready-made boots and shoes are beginning to flood Europe,--the same with machinery, bicycles, agricultural implements, and all kinds of manufactured goods. A correspondent from Hamburg, speaking of the invasion of American trade, says: "Incidentally, it may be remarked that the typewriting machine with which this article is written, as well as the thousands--nay, hundreds of thousands--of others that are in use throughout the world, were made in America; that it stands on an American table, in an office furnished with American desks, bookcases, and chairs, which cannot be made in Europe of equal quality, so practical and convenient, for a similar price."

In 1893 and 1894, because of the distrust of foreign capital, the United States was forced to buy back American securities held abroad; but in

1897 and 1898 she bought back American securities held abroad, not because she had to, but because she chose to. And not only has she bought back her own securities, but in the last eight years she has become a buyer of the securities of other countries. In the money markets of London, Paris, and Berlin she is a lender of money. Carrying the largest stock of gold in the world, the world, in moments of danger, when crises of international finance loom large, looks to her vast lending ability for safety.

Thus, in a few swift years, has the United States drawn up to the van where the great industrial nations are fighting for commercial and financial empire. The figures of the race, in which she passed England, are interesting:

Year	United States Exports	United Kingdom Exports
1875	\$497,263,737	\$1,087,497,000
1885	673,593,506	1,037,124,000
1895	807,742,415	1,100,452,000
1896	986,830,080	1,168,671,000
1897	1,079,834,296	1,139,882,000
1898	1,233,564,828	1,135,642,000
1899	1,253,466,000	1,287,971,000
1900	1,453,013,659	1,418,348,000

As Mr. Henry Demarest Lloyd has noted, "When the news reached Germany of the new steel trust in America, the stocks of the iron and steel mills listed on the Berlin Bourse fell." While Europe has been talking and dreaming of the greatness which was, the United States has been thinking and planning and doing for the greatness to be. Her captains of industry and kings of finance have toiled and sweated at organizing and consolidating production and transportation. But this has been merely the developmental stage, the tuning-up of the orchestra. With the twentieth century rises the curtain on the play,--a play which shall have much in it of comedy and a vast deal of tragedy, and which has been well named The Capitalistic Conquest of Europe by America. Nations do not die easily, and one of the first moves of Europe will be the erection of tariff walls. America, however, will fittingly reply, for already her manufacturers are establishing works in France and Germany. And when the German trade journals refused to accept American advertisements, they found their country flamingly bill-boarded in buccaneer American fashion.

M. Leroy-Beaulieu, the French economist, is passionately preaching a commercial combination of the whole Continent against the United States,--a commercial alliance which, he boldly declares, should become a political alliance. And in this he is not alone, finding ready sympathy and ardent support in Austria, Italy, and Germany. Lord Rosebery said, in a recent speech before the Wolverhampton Chamber of Commerce: "The Americans, with their vast and almost incalculable resources, their acuteness and enterprise, and their huge population, which will probably be 100,000,000 in twenty years, together with the plan they have adopted

for putting accumulated wealth into great cooperative syndicates or trusts for the purpose of carrying on this great commercial warfare, are the most formidable . . . rivals to be feared."

The London Times says: "It is useless to disguise the fact that Great Britain is being outdistanced. The competition does not come from the glut caused by miscalculation as to the home demand. Our own steel-makers know better and are alarmed. The threatened competition in markets hitherto our own comes from efficiency in production such as never before has been seen." Even the British naval supremacy is in danger, continues the same paper, "for, if we lose our engineering supremacy, our naval supremacy will follow, unless held on sufferance by our successful rivals."

And the Edinburgh Evening News says, with editorial gloom: "The iron and steel trades have gone from us. When the fictitious prosperity caused by the expenditure of our own Government and that of European nations on armaments ceases, half of the men employed in these industries will be turned into the streets. The outlook is appalling. What suffering will have to be endured before the workers realize that there is nothing left for them but emigration!"

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That there must be a limit to the accumulation of capital is obvious. The downward course of the rate of interest, notwithstanding that many

new employments have been made possible for capital, indicates how large is the increase of surplus value. This decline of the interest rate is in accord with Bohm-Bawerk's law of "diminishing returns." That is, when capital, like anything else, has become over-plentiful, less lucrative use can only be found for the excess. This excess, not being able to earn so much as when capital was less plentiful, competes for safe investments and forces down the interest rate on all capital. Mr. Charles A. Conant has well described the keenness of the scramble for safe investments, even at the prevailing low rates of interest. At the close of the war with Turkey, the Greek loan, guaranteed by Great Britain, France, and Russia, was floated with striking ease. Regardless of the small return, the amount offered at Paris, (41,000,000 francs), was subscribed for twenty-three times over. Great Britain, France, Germany, Holland, and the Scandinavian States, of recent years, have all engaged in converting their securities from 5 per cents to 4 per cents, from 4.5 per cents to 3.5 per cents, and the 3.5 per cents into 3 per cents.

Great Britain, France, Germany, and Austria-Hungary, according to the calculation taken in 1895 by the International Statistical Institute, hold forty-six billions of capital invested in negotiable securities alone. Yet Paris subscribed for her portion of the Greek loan twenty-three times over! In short, money is cheap. Andrew Carnegie and his brother bourgeois kings give away millions annually, but still the tide wells up. These vast accumulations have made possible "wild-catting," fraudulent combinations, fake enterprises, Hooleyism; but

such stealings, great though they be, have little or no effect in reducing the volume. The time is past when startling inventions, or revolutions in the method of production, can break up the growing congestion; yet this saved capital demands an outlet, somewhere, somehow.

When a great nation has equipped itself to produce far more than it can, under the present division of the product, consume, it seeks other markets for its surplus products. When a second nation finds itself similarly circumstanced, competition for these other markets naturally follows. With the advent of a third, a fourth, a fifth, and of divers other nations, the question of the disposal of surplus products grows serious. And with each of these nations possessing, over and beyond its active capital, great and growing masses of idle capital, and when the very foreign markets for which they are competing are beginning to produce similar wares for themselves, the question passes the serious stage and becomes critical.

Never has the struggle for foreign markets been sharper than at the present. They are the one great outlet for congested accumulations. Predatory capital wanders the world over, seeking where it may establish itself. This urgent need for foreign markets is forcing upon the world-stage an era of great colonial empire. But this does not stand, as in the past, for the subjugation of peoples and countries for the sake of gaining their products, but for the privilege of selling them products. The theory once was, that the colony owed its existence and prosperity to the mother country; but today it is the mother country that owes its

existence and prosperity to the colony. And in the future, when that supporting colony becomes wise in the way of producing surplus value and sends its goods back to sell to the mother country, what then? Then the world will have been exploited, and capitalistic production will have attained its maximum development.

Foreign markets and undeveloped countries largely retard that moment. The favored portions of the earth's surface are already occupied, though the resources of many are yet virgin. That they have not long since been wrested from the hands of the barbarous and decadent peoples who possess them is due, not to the military prowess of such peoples, but to the jealous vigilance of the industrial nations. The powers hold one another back. The Turk lives because the way is not yet clear to an amicable division of him among the powers. And the United States, supreme though she is, opposes the partition of China, and intervenes her huge bulk between the hungry nations and the mongrel Spanish republics. Capital stands in its own way, welling up and welling up against the inevitable moment when it shall burst all bonds and sweep resistlessly across such vast stretches as China and South America. And then there will be no more worlds to exploit, and capitalism will either fall back, crushed under its own weight, or a change of direction will take place which will mark a new era in history.

The Far East affords an illuminating spectacle. While the Western nations are crowding hungrily in, while the Partition of China is commingled with the clamor for the Spheres of Influence and the Open

Door, other forces are none the less potently at work. Not only are the young Western peoples pressing the older ones to the wall, but the East itself is beginning to awake. American trade is advancing, and British trade is losing ground, while Japan, China, and India are taking a hand in the game themselves.

In 1893, 100,000 pieces of American drills were imported into China; in 1897, 349,000. In 1893, 252,000 pieces of American sheetings were imported against 71,000 British; but in 1897, 566,000 pieces of American sheetings were imported against only 10,000 British. The cotton goods and yarn trade (which forms 40 per cent of the whole trade with China) shows a remarkable advance on the part of the United States. During the last ten years America has increased her importation of plain goods by 121 per cent in quantity and 59.5 per cent in value, while that of England and India combined has decreased 13.75 per cent in quantity and 8 per cent in value. Lord Charles Beresford, from whose "Break-up of China" these figures are taken, states that English yarn has receded and Indian yarn advanced to the front. In 1897, 140,000 piculs of Indian yarn were imported, 18,000 of Japanese, 4500 of Shanghai-manufactured, and 700 of English.

Japan, who but yesterday emerged from the mediaeval rule of the Shogunate and seized in one fell swoop the scientific knowledge and culture of the Occident, is already today showing what wisdom she has acquired in the production of surplus value, and is preparing herself that she may tomorrow play the part to Asia that England did to Europe one hundred

years ago. That the difference in the world's affairs wrought by those one hundred years will prevent her succeeding is manifest; but it is equally manifest that they cannot prevent her playing a leading part in the industrial drama which has commenced on the Eastern stage. Her imports into the port of Newchang in 1891 amounted to but 22,000 taels; but in 1897 they had increased to 280,000 taels. In manufactured goods, from matches, watches, and clocks to the rolling stock of railways, she has already given stiff shocks to her competitors in the Asiatic markets; and this while she is virtually yet in the equipment stage of production. Ere long she, too, will be furnishing her share to the growing mass of the world's capital.

As regards Great Britain, the giant trader who has so long overshadowed Asiatic commerce, Lord Charles Beresford says: "But competition is telling adversely; the energy of the British merchant is being equalled by other nationals. . . The competition of the Chinese and the introduction of steam into the country are also combining to produce changed conditions in China." But far more ominous is the plaintive note he sounds when he says: "New industries must be opened up, and I would especially direct the attention of the Chambers of Commerce (British) to . . . the fact that the more the native competes with the British manufacturer in certain classes of trade, the more machinery he will need, and the orders for such machinery will come to this country if our machinery manufacturers are enterprising enough."

The Orient is beginning to show what an important factor it will become,

under Western supervision, in the creation of surplus value. Even before the barriers which restrain Western capital are removed, the East will be in a fair way toward being exploited. An analysis of Lord Beresford's message to the Chambers of Commerce discloses, first, that the East is beginning to manufacture for itself; and, second, that there is a promise of keen competition in the West for the privilege of selling the required machinery. The inexorable query arises: What is the West to do when it has furnished this machinery? And when not only the East, but all the now undeveloped countries, confront, with surplus products in their hands, the old industrial nations, capitalistic production will have attained its maximum development.

But before that time must intervene a period which bids one pause for breath. A new romance, like unto none in all the past, the economic romance, will be born. For the dazzling prize of world-empire will the nations of the earth go up in harness. Powers will rise and fall, and mighty coalitions shape and dissolve in the swift whirl of events. Vassal nations and subject territories will be bandied back and forth like so many articles of trade. And with the inevitable displacement of economic centres, it is fair to presume that populations will shift to and fro, as they once did from the South to the North of England on the rise of the factory towns, or from the Old World to the New. Colossal enterprises will be projected and carried through, and combinations of capital and federations of labor be effected on a cyclopean scale. Concentration and organization will be perfected in ways hitherto undreamed. The nation which would keep its head above the tide must

accurately adjust supply to demand, and eliminate waste to the last least particle. Standards of living will most likely descend for millions of people. With the increase of capital, the competition for safe investments, and the consequent fall of the interest rate, the principal which today earns a comfortable income would not then support a bare existence. Saving toward old age would cease among the working classes. And as the merchant cities of Italy crashed when trade slipped from their hands on the discovery of the new route to the Indies by way of the Cape of Good Hope, so will there come times of trembling for such nations as have failed to grasp the prize of world-empire. In that given direction they will have attained their maximum development, before the whole world, in the same direction, has attained its. There will no longer be room for them. But if they can survive the shock of being flung out of the world's industrial orbit, a change in direction may then be easily effected. That the decadent and barbarous peoples will be crushed is a fair presumption; likewise that the stronger breeds will survive, entering upon the transition stage to which all the world must ultimately come.

This change of direction must be either toward industrial oligarchies or socialism. Either the functions of private corporations will increase till they absorb the central government, or the functions of government will increase till it absorbs the corporations. Much may be said on the chance of the oligarchy. Should an old manufacturing nation lose its foreign trade, it is safe to predict that a strong effort would be made to build a socialistic government, but it does not follow that this

effort would be successful. With the moneyed class controlling the State and its revenues and all the means of subsistence, and guarding its own interests with jealous care, it is not at all impossible that a strong curb could be put upon the masses till the crisis were past. It has been done before. There is no reason why it should not be done again. At the close of the last century, such a movement was crushed by its own folly and immaturity. In 1871 the soldiers of the economic rulers stamped out, root and branch, a whole generation of militant socialists.

Once the crisis were past, the ruling class, still holding the curb in order to make itself more secure, would proceed to readjust things and to balance consumption with production. Having a monopoly of the safe investments, the great masses of unremunerative capital would be directed, not to the production of more surplus value, but to the making of permanent improvements, which would give employment to the people, and make them content with the new order of things. Highways, parks, public buildings, monuments, could be builded; nor would it be out of place to give better factories and homes to the workers. Such in itself would be socialistic, save that it would be done by the oligarchs, a class apart. With the interest rate down to zero, and no field for the investment of sporadic capital, savings among the people would utterly cease, and old-age pensions be granted as a matter of course. It is also a logical necessity of such a system that, when the population began to press against the means of subsistence, (expansion being impossible), the birth rate of the lower classes would be lessened. Whether by their own initiative, or by the interference of the rulers, it would have to be

done, and it would be done. In other words, the oligarchy would mean the capitalization of labor and the enslavement of the whole population. But it would be a fairer, juster form of slavery than any the world has yet seen. The per capita wage and consumption would be increased, and, with a stringent control of the birth rate, there is no reason why such a country should not be so ruled through many generations.

On the other hand, as the capitalistic exploitation of the planet approaches its maximum, and countries are crowded out of the field of foreign exchanges, there is a large likelihood that their change in direction will be toward socialism. Were the theory of collective ownership and operation then to arise for the first time, such a movement would stand small chance of success. But such is not the case. The doctrine of socialism has flourished and grown throughout the nineteenth century; its tenets have been preached wherever the interests of labor and capital have clashed; and it has received exemplification time and again by the State's assumption of functions which had always belonged solely to the individual.

When capitalistic production has attained its maximum development, it must confront a dividing of the ways; and the strength of capital on the one hand, and the education and wisdom of the workers on the other, will determine which path society is to travel. It is possible, considering the inertia of the masses, that the whole world might in time come to be dominated by a group of industrial oligarchies, or by one great oligarchy, but it is not probable. That sporadic oligarchies may

flourish for definite periods of time is highly possible; that they may continue to do so is as highly improbable. The procession of the ages has marked not only the rise of man, but the rise of the common man. From the chattel slave, or the serf chained to the soil, to the highest seats in modern society, he has risen, rung by rung, amid the crumbling of the divine right of kings and the crash of falling sceptres. That he has done this, only in the end to pass into the perpetual slavery of the industrial oligarch, is something at which his whole past cries in protest. The common man is worthy of a better future, or else he is not worthy of his past.

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NOTE.--The above article was written as long ago as 1898. The only alteration has been the bringing up to 1900 of a few of its statistics. As a commercial venture of an author, it has an interesting history. It was promptly accepted by one of the leading magazines and paid for. The editor confessed that it was "one of those articles one could not possibly let go of after it was once in his possession." Publication was voluntarily promised to be immediate. Then the editor became afraid of its too radical nature, forfeited the sum paid for it, and did not publish it. Nor, offered far and wide, could any other editor of bourgeois periodicals be found who was rash enough to publish it. Thus, for the first time, after seven years, it appears in print.