

Chapter IV.

Consequences Of The Tendency Of Profits To A Minimum, And The Stationary State.

§ 1. Abstraction of Capital not necessarily a national loss.

The theory of the effect of accumulation on profits must greatly abate, or rather, altogether destroy, in countries where profits are low, the immense importance which used to be attached by political economists to the effects which an event or a measure of government might have in adding to or subtracting from the capital of the country. We have now seen that the lowness of profits is a proof that the spirit of accumulation is so active, and that the increase of capital has proceeded at so rapid a rate, as to outstrip the two counter-agencies, improvements in production and increased supply of cheap necessaries from abroad. A sudden abstraction of capital, unless of inordinate amount, [would not] have any real effect in impoverishing the country. After a few months or years, there would exist in the country just as much capital as if none had been taken away. The abstraction, by raising profits and interest, would give a fresh stimulus to the accumulative principle, which would speedily fill up the vacuum. Probably, indeed, the only effect that would ensue would be that for some time afterward less capital would be exported, and less thrown away in hazardous speculation.

In the first place, then, this view of things greatly weakens, in a wealthy and industrious country, the force of the economical argument against the expenditure of public money for really valuable, even though industriously unproductive, purposes. In poor countries, the capital of the country requires the legislator's sedulous care; he is bound to be most cautious of encroaching upon it, and should favor to the utmost its accumulation at home, and its introduction from abroad. But in rich, populous, and highly cultivated countries, it is not capital which is the deficient element, but fertile land; and what the legislator should desire and promote, is not a greater aggregate saving, but a greater return to savings, either by improved cultivation, or by access to the produce of more fertile lands in other parts of the globe.

The same considerations enable us to throw aside as unworthy of regard one of the common arguments against emigration as a means of relief for the laboring-class. Emigration, it is said, can do no good to the laborers, if, in order to defray the cost, as much must be taken away from the capital of the country as from its population. If one tenth of the laboring people of England were transferred to the colonies, and along with them one tenth of the circulating capital of the country, either wages, or profits, or both, would be greatly benefited, by the diminished pressure of capital and population upon the fertility of the land. The landlords alone would sustain some loss of income; and even they, only if colonization went to the length of actually diminishing capital and population, but not if it merely carried off the annual increase.

§ 2. In opulent countries, the extension of machinery not detrimental but beneficial to Laborers.

From the same principles we are now able to arrive at a final conclusion respecting the effects which machinery, and generally the sinking of capital for a productive purpose, produce upon the immediate and ultimate interests of the laboring-class. The characteristic property of this class of industrial improvements is the conversion of circulating capital into fixed: and it was shown in the first book (303) that, in a country where capital accumulates slowly, the introduction of machinery, permanent improvements of land, and the like, might be, for the time, extremely injurious; since the capital so employed might be directly taken from the wages fund, the subsistence of the people and the employment for labor curtailed, and the gross annual produce of the country actually diminished. But in a country of great annual savings and low profits no such effects need be apprehended. It merely draws off at one orifice what was already flowing out at another; or, if not, the greater vacant space left in the reservoir does but cause a greater quantity to flow in. Accordingly, in spite of the mischievous derangements of the money market which have been occasioned by the great sums in process of being sunk in railways, I can not agree with those who apprehend any mischief, from this source, to the productive resources of the country. Not on the absurd ground (which to any one acquainted with the elements of the subject needs no confutation) that railway expenditure is a mere transfer of capital from hand

to hand, by which nothing is lost or destroyed. This is true of what is spent in the purchase of the land; a portion too of what is paid to agents, counsels, engineers, and surveyors, is saved by those who receive it, and becomes capital again: but what is laid out in the *bona fide* construction of the railway itself is lost and gone; when once expended, it is incapable of ever being paid in wages or applied to the maintenance of laborers again; as a matter of account, the result is, that so much food and clothing and tools have been consumed, and the country has got a railway instead.

It already appears, from these considerations, that the conversion of circulating capital into fixed, whether by railways, or manufactories, or ships, or machinery, or canals, or mines, or works of drainage and irrigation, is not likely, in any rich country, to diminish the gross produce or the amount of employment for labor. There is hardly any increase of fixed capital which does not enable the country to contain eventually a larger circulating capital than it otherwise could possess and employ within its own limits; for there is hardly any creation of fixed capital which, when it proves successful, does not cheapen the articles on which wages are habitually expended.

As regards the effects upon the material condition of the wages-receiving class, since it seems clear that capital increases faster than improvements, and probably faster even than population, it follows that in countries where the laboring-classes are evidently growing in intelligence, they gain in wages with the progress of society. Such certainly seems to be the teaching of Mr. Giffen's late studies (see Book IV, Chap. III, § 5).

§ 3. Stationary state of wealth and population dreaded by some writers, but not in itself undesirable.

Toward what ultimate point is society tending by its industrial progress? When the progress ceases, in what condition are we to expect that it will leave mankind?

It must always have been seen, more or less distinctly, by political economists, that the increase of wealth is not boundless; that at the end of what they term the progressive state lies the stationary state, that all progress in wealth is but a postponement of this, and that each step in advance is an approach to it. We have now been led to recognize that this ultimate goal is at all times near enough to be fully in view; that we are always on the verge of it, and that, if we have not reached it long ago, it is because the goal itself flies before us. The richest and most prosperous countries would very soon attain the stationary state, if no further improvements were made in the productive arts, and if there were a suspension of the overflow of capital from those countries into the uncultivated or ill-cultivated regions of the earth. Adam Smith always assumes that the condition of the mass of the people, though it may not be positively distressed, must be pinched and stinted in a stationary condition of wealth, and can only be satisfactory in a progressive state. The doctrine that, to however distant a time incessant struggling may put off our doom, the progress of society must "end in shallows and in miseries," far from being, as many people still believe, a wicked invention of Mr. Malthus, was either expressly or tacitly affirmed by his most distinguished predecessors, and can only be successfully combated on his principles.

Even in a progressive state of capital, in old countries, a conscientious or prudential restraint on population is indispensable, to prevent the increase of numbers from outstripping the increase of capital, and the condition of the classes who are at the bottom of society from being deteriorated. Where there is not, in the people, or in some very large proportion of them, a resolute resistance to this deterioration--a determination to preserve an established standard of comfort--the condition of the poorest class sinks, even in a progressive state, to the lowest point which they will consent to endure. The same determination would be equally effectual to keep up their condition in the stationary state, and would be quite as likely to exist.

I can not, therefore, regard the stationary state of capital and wealth with the unaffected aversion so generally manifested toward it by political economists of the old school. I am inclined to believe that it would be, on the whole, a very considerable improvement on our present condition.

It is only in the backward countries of the world that increased production is still an important object; in those most advanced, what is economically needed is a better distribution, of which one indispensable means is a stricter restraint on population. On the other hand, we may suppose this better distribution of property attained, by the joint effect of the prudence and frugality of individuals, and of a system of legislation favoring equality of fortunes, so far as is consistent with the just claim of the individual to the fruits, whether great or small, of his or her own industry. We may suppose, for instance (according to the suggestion thrown out in a former chapter(304)), a limitation of the sum which any one person may acquire by gift or inheritance, to the amount sufficient to constitute a moderate independence. Under this twofold influence, society would exhibit these leading features: a well-paid and affluent body of laborers; no enormous fortunes, except what were earned and accumulated during a single lifetime; but a much larger body of persons than at present, not only exempt from the coarser toils, but with sufficient leisure, both physical and mental, from mechanical details, to cultivate freely the graces of life, and afford examples of them to the classes less favorably circumstanced for their growth. This condition of society, so greatly preferable to the present, is not only perfectly compatible with the stationary state, but, it would seem, more naturally allied with that state than with any other.

There is room in the world, no doubt, and even in old countries, for a great increase of population, supposing the arts of life to go on improving, and capital to increase. But even if innocuous, I confess I see very little reason for desiring it. The density of population necessary to enable mankind to obtain, in the greatest degree, all the advantages both of co-operation and of social intercourse, has, in all the most populous countries, been attained. If the earth must lose that great portion of its pleasantness which it owes to things that the unlimited increase of wealth and population would extirpate from it, for the mere purpose of enabling it to support a larger but not a better or a happier population, I sincerely hope, for the sake of posterity, that they will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of capital and population implies no stationary state of human improvement. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labor. Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes.

The statement that inventions have not "lightened the day's toil of any human being" has been persistently misquoted by many persons and has been taken out of its connection. Mr. Mill distinctly holds that the laborer's lot could have been improved had there been any limitation of population; that it is the constant growth of population as society progresses which destroys the gains afforded to the laboring-classes by improvements. But it is quite certain that the material facts of Mr. Mill's statement are no longer true. In the United States wages have risen, with an additional gain in lower prices; and Mr. Giffen shows the same progress in England. Moreover, travelers on the Continent speak of a similar movement already noticeable there. Mr. Giffen's statement in his comparison(305) with fifty years ago, is as follows:

"While the money wages have increased as we have seen, the hours of labor have diminished. It is difficult to estimate what the extent of this diminution has been, but collecting one or two scattered notices I should be inclined to say very nearly 20 per cent. There has been at least this reduction in the textile, engineering, and house-building trades. The workman gets from 50 to 100 per cent more money for 20 per cent less work; in round figures he has gained from 70 to 120 per cent in fifty years in money return. It is just possible, of course, that the workman may do as much, or nearly as much, in the shorter period as he did in his longer hours. Still, there is the positive gain in his being less time at his task, which many of the classes still tugging lengthily day by day at the oar would appreciate."