

much of the industrial and commercial structure still lies in ruins, it takes but little to check the disposition again to adventure capital. That little is abundantly supplied by the popular apprehension of legislation unfavorably affecting money and credit. It need not be a great thing under a man's arms which will so increase his margin of buoyancy as to enable him to float for hours. It is a very small thing around a man's neck which will so diminish his margin of buoyancy—narrow at the best—as to drag him to the bottom.

PART IV.

DISTRIBUTION.

CHAPTER I.

THE PARTIES TO THE DISTRIBUTION OF WEALTH.

244. Distribution as a Department of Political Economy.

—Under the title, Distribution, we inquire, what are the forces which divide wealth among the several persons, or classes of persons, who have taken part in its production?

In a primitive condition of society, the problem of distribution is a simple one. Three hunters join in an expedition, and at the conclusion of the chase, divide their game into three equal parts. If boys, or cripples, or men of less than ordinary force or skill, are taken into the partnership, it is easily determined what portion of a full man's share each such person shall receive.

In a highly organized community, however, the division of the product of industry into shares corresponding to the number of persons who have taken part in production, is a complicated problem.

245. *The Division of the Web of Cloth.*—For example, let us take the case of a cotton factory, at Lawrence, which produces in a given time a million yards of cloth. We may suppose that this is all woven in one piece, and that each person who has, in any way, contributed to making this giant web, advances in a certain order to receive his share.

The agent for the water company first appears, and cuts off some thousands of yards, inasmuch as his company furnished the power that drove the wheels below, that turned the spindles above. Then comes the owner of the land on which the

mill is built, and carries off, perhaps, a piece five times as large; next, the owner of the mill, who takes the largest piece of all; next, the man who gave the use of the machinery and loaned the working capital, and now measures off many miles of the cloth as his share.

So far, all has gone smoothly. Though the manufacturer has stood by and seen the fearful inroads made upon the web by the successive claimants, little has been said, and that in a low tone and in a business-like way. Some reason is known to the manufacturer why each of these persons should receive so much and no less. Some calculation which he is able rapidly to make maintains a complete understanding between him and them.

Now, however, the scene changes; there remain but two parties as claimants to the six or seven hundred thousand yards that are left. On the one side we see a crowd composed of persons engaged in the mill as overseers, as clerks, as mechanics, as laborers, as "operatives," in all, some hundreds of men, women and children, of varying degrees of strength, skill and intelligence; on the other side, stands the manufacturer. All that these do not take, will be his; and as piece after piece is rapidly cut off, he seems to fear that not enough will remain for him, while each of them appears disaffected that his own share is not larger, deeming it especially a hardship that, after he and his comrades are served, so much will be left to the manufacturer. According to their several dispositions, some threaten that it shall not be so again; some merely grumble; others take up their little rolls of cloth and walk away with a patient air, as if they hoped for nothing better.

At last the manufacturer is left with his share. If it has been a good season, and all has gone well; if the cotton has turned out of good quality, if the weather has been propitious, with just enough of heat and of moisture for the quickest and most uniform spinning; if there have been no floods in the river, giving trouble, and no low water, so that the wheel has turned steadily and powerfully whenever the gate was lifted, the roll of cloth which the manufacturer will carry

back into the warehouse will be large, and his face will wear a contented look. If, on the other hand, any one of a dozen untoward accidents, reasonably to be apprehended, has occurred, his share will be less, perhaps little, possibly nothing.

246. The Problem of Distribution.—It is under the present title that we inquire why it is that each of these claimants on the product of the cotton factory takes so much and takes no more. Of course, in the immediate instance that reason is found in the force of contract. All the other parties had agreed with the manufacturer to allow him the use of their property, or to render him their services, at certain rates. But why did they contract at those rates, and not at higher; and why will they, as they probably will, immediately proceed to make new contracts, at the same, perhaps at lower rates?

Why, in particular, is it that the division of the product is effected with so little of friction or complaint, as between the manufacturer and the water company, the owner of the ground, the owner of the mill, the owner of the machinery and of the working capital; while between the manufacturer and the "hands" there is so much of dissatisfaction and jealousy, of complaint and irritation?

247. Distinction between the Exchange of Services and of Commodities.—Among those writers who have defined political economy as the Science of Exchanges, distribution is not recognized as a separate department of inquiry, involving principles peculiar to itself. These writers find that the subjects of exchange are, broadly speaking, two, *viz.*, services and commodities, or, labor and the products of past labor. To carry forward this distinction is not consistent with the simplicity of the science which these writers have in contemplation. The difficulty is soon resolved. They discover that commodities are, after all, nothing but services which have taken on a material form, and thereafter they speak only of services, and thereby secure to political economy "one grand characteristic of the great sciences, *viz.*, simplicity." This effected, the distinction between the Distribution and the Exchange of wealth falls to the ground. There is no longer any need for the former term in political economy.

But I venture to assert that this forced simplicity, secured by compelling into a single form things having much that is not in common; this false peace, which disregards irreconcilable differences; this hasty generalization, by which services and commodities are made to be one and the same thing, has had the effect to render political economy signally barren through the very period when social philosophy has been most prolific, and, secondly, to forfeit nearly all popular respect for, and interest in, the so-called science of exchanges.

248. "During the present century," says the Duke of Argyle, in his *Reign of Law*, "two great discoveries have been made in the science of government: the one is the immense advantage of abolishing restrictions upon trade; the other is the absolute necessity of imposing restrictions upon labor."

I do not quote this passage, here, for the sake of raising the question of Ten-Hour laws or factory inspection (pars. 471-3), but only to call attention to the clear, strong antithesis in which it places services and commodities. That statement does not exaggerate the general and still growing consent of social philosophers and legislators that the rendering of services differs so widely from the exchange of commodities that the two must stand in different relations to legislation. More and more fully has this distinction come to be recognized. If political economy denies the validity of the distinction, so much the worse for political economy, in the eyes of social philosophers and statesmen alike. Surely, the simplicity of the science may be secured at too high a cost!

Equally against the pressure of enormous vested interests, and against the protests of professional political economists, the legislation of almost every enlightened country has progressed by steady steps, through the last sixty, forty, and especially during the last twenty years, in the direction of discriminating vitally between commodities and services, allowing continually greater and greater freedom of contract in respect to the former, and bringing the contracts which

involve the latter more and more completely under the authority and supervision of the State.

And yet there is complaint that statesmen and the mass of the people entertain such slight regard for political economy, whose professors, in the interest of the purity and simplicity of their science, discard from the premises of their reasoning (par. 21) all the "sympathies, apathies, and antipathies" of mankind, and insist upon treating a Manchester spinner, with a wife and six children, ignorant, fearful, and poor, as possessing the same mobility economically, and under the same subjection to the impulses of pecuniary interest, as a bale of Manchester cottons on the wharf, free to go to India or to Iceland, as the difference of a penny in the price may determine!

249. *An Analogous Case.*—But we shall not get a full measure of the insufficiency of the reasons given for dropping the distinction between commodities and services, in exchange, unless we ask what would be the consequences to political economy of dealing in the same spirit with the analogous case of the distinction between labor and capital, in production. Suppose the political economist were to say: Capital is but the result of the labor of the past; it is, in essence, labor which has taken on a material and more or less permanent form; whatever is true of labor must be true of capital; we will, therefore, resolve the two into one, and thus promote the simplicity of political economy. Simplicity, indeed! but at the cost of the loss of all significance, if not all sense. What sort of a political economy would that be which did not recognize the distinction between labor and capital in production? Yet the distinction has a singularly close analogy to that between services and commodities in exchange.

250. *A Contest, though not a Destructive Contest.*—It will be noted that the distribution of the product of industry involves what may be termed a perpetual contest between the parties to production. This contest is not a destructive one, since the interest of each of the participants requires the existence, and, by consequence, the sustentation, of all the

others. Yet, within the limits consistent with this, there is opposition of interests.

251. The Parties to the Distribution of Wealth.—The contest is, in the last analysis, between individuals. We shall see that the real or supposed common interests of a number of producers may create a supposed class interest which will lead them to act in concert, with a subordination of individual preferences to the general good ; but, as a rule, the efforts of individuals are directed to a personal benefit. Inasmuch, however, as it would be impossible to work out the problem of distribution with reference to each man, woman, and child, we may aggregate individuals, according to what they have in common, into classes, larger or smaller, and may seek for the general law which governs the efforts of the members of each class towards the acquisition of wealth.

252. Classes in Distribution.—Even if we disregard petty distinctions and inconsiderable exceptions, the prime classes appearing in distribution will vary in different countries. A classification which would fully meet the facts of industrial organization in India, would omit distinctions of prime importance in England.

Inasmuch as we could not, in an elementary treatise, give the space needed to set forth the problem of distribution in each country or group of countries having a common industrial organization, we will consider for our present purpose the industrial organization of England. We take this, because it is the most highly developed organization known to industry ; because it is largely reproduced in the United States and on the continent of Europe, and in Canada and Australia, and is everywhere, among progressive peoples, more and more widely extending from year to year. Moreover, it will be easier for the reader to work out for himself the problem of distribution in countries of a lower organization, than it would be to go from the simpler to the more complex forms of industrial life.

Under the system which we have taken for the purposes of the present discussion, we have four classes of claimants upon the product of industry, and that product is accordingly

divided into four grand shares. These [classes and the shares respectively received by them may be expressed as follows :

1. The landlord, receiving rent.
2. The capitalist, receiving interest.
3. The employer, or entrepreneur, receiving profits.
4. The employed laborer, receiving wages.

The reason for naming these several claimants in the order just given, will appear as we make progress in the discussion of the forces which effect the distribution of wealth.

CHAPTER II.

RENT.

253. Definition of Rent.—Rent is the term applied to the remuneration received by the land-owning class for the use of the native and indestructible powers of the soil, or, as it might be expressed, for the use of natural agents.

That remuneration may be paid in money or in produce. The term land, or natural agents, must be understood to include not only arable land, but pasture, timber lands, mineral deposits, water privileges and building sites. For the present discussion, however, it will be best to take our illustrations from the occupancy and cultivation of arable land.

254. The Origin of Rent Illustrated.—Let us suppose a community, isolated from all others, to occupy a circular tract of land divided, as in the following diagram, into four sectors equal in extent but so differing in fertility that one piece will, with so many days' labor in the year given to plowing, cultivating and harvesting, yield 24 bushels of wheat per acre, while the second will yield, with the same amount of labor, but 22 bushels, the third but 20 bushels, and the fourth but 18. Now the assumption we have made as to differing degrees of fertility in the soil of the several tracts, is not an extravagant one. On the contrary, we might reasonably have