

## The New Gospel of Economics.

[BY FABIAN BLACK.]

That the latter half of this century has been remarkable for a series of rapid changes in every sphere of thought and action which affects the economy of human life cannot be denied. In political, industrial, social, religious, and international matters the advance has been so swift and unexpected as to totally overthrow the speculations of those who predicted, by deduction, from prevailing conditions. To gauge the rate of progress, it is merely necessary to take an illustration from one department, which has, till within lately, been considered an inevitable, if not necessary, accessory of the life of nations, namely, war. In less than forty years we have improved our facilities for the destruction of our fellow-creatures from the old-fashioned muzzle-loading rifle to the Maxim gun and M. Turpin's monster electric mitrailleuse, which is expected to annihilate at a distance of fifteen miles. And the hopes of his Holiness the Pope, and those who favour arbitration as a means of settling international quarrels, must be greatly raised by the near fulfilment of the prophetic picture drawn by Bulwer Lytton in "The Coming Race." With them war had become too destructive, and was, consequently, abandoned. A child armed with a "vril staff" could destroy a city or an army in the twinkling of an eye. The idea is a correct one, and quite probable. It is in accordance with the theory that—in nature—every abuse or evil corrects itself. Similarly, in the regions of thought and science equal strides have been made, though perhaps to the busy pre-occupied minds of practical men of the world the advance is not so apparent.

### THE POPULAR INTERPRETATIONS OF POLITICAL AND SOCIAL ECONOMY,

and the conceptions of society, and men's relations to their fellow-men, have suffered so great a change as to cause, in many instances, a complete revulsion of feelings and ideas, so that the expression of individual wonder at the rejection of what had been considered "immutable natural laws" and "axioms of truth," has become too common-place to be noticeable. This is of course due to the fact that the acute industrial depressions and labour disturbances have forced all classes to pay more attention to the study of economics. The Hon. T. B. Reed, closing the debate in Congress on the Wilson Bill, and speaking on behalf of *individual capitalistic enterprise*, contended "that the success of industrial enterprise depends not merely upon production but primarily and permanently upon the *consumption of wealth by the masses*; that wages are determined not by the relation of supply and demand but by the social standard of living in the community; and that everything which tends even remotely to impair the standard of living, or restrict the social wants of the wage-earner, tends to lower wages, and thereby destroys the very foundation upon which the whole structure of capitalistic enterprise rests." The *Social Economist*, of New York, has an article to the same effect, in which it is stated, in respect to capitalistic industry, "that successful development depends primarily upon the expansion of the social life and daily income of the wage-class." Such utterances, from so high and respectable a source, are worth consideration, and give strong indication that

### THE ORTHODOX ECONOMICS OF OUR FATHER'S TIME

have been severely shaken. Good old "supply and demand," so long the objects of ignorant fear and veneration, are actually ignored and flouted by the very class who enthroned them! The admission that the industrial development of a community can depend in any way on the condition of the workers, is a mental upheaval of terrific significance to the capitalist class. It shows they are beginning to think! It also renders nugatory all argument based on the old popular interpretations of political economy, and cuts the ground completely from under the feet of those who regard "Capital as the mother of Labour." Old ideas die hard, and have as many lives as the proverbial feline.

The senile old fallacy, which is now nearly defunct, and lies around in a battered and fragmentary condition, was that "wages were drawn and paid out of capital." Therefore capital—i.e., circulating capital—was regarded as the generative power, which gave opportunity and impetus to industry.

THE DEVELOPMENT AND THE EXTENT OF THE INDUSTRIES of a community were supposed to be limited by this "wage fund," out of which wages were paid. The direct inference was that any increase of "circulating capital for investment" involved a corresponding extension of industry. Consequently any economy or policy which increased the total amount of interest and profit, was regarded as affording employment to a greater number of labourers. But immediately the desire to sustain or increase rent, interest, and profits led to the ejection of human labour and the reduction of wages, the scope for investment of capital became limited, and excessive competition with its inevitable adjuncts of reduced interest and profit set in. That this was due to

### A LOSS OF PURCHASING POWER

in the wage-earning masses was not realized or was ignored. It was characterized as "want of demand," and "supply and demand" were accepted as limiting the operations of labour and capital in some mysterious manner, which baffled human understanding. If some Utopian philanthropist or reformer suggested that "real demand" existed, and pointed to the exigencies of the needy worker and the "unemployed" as evidence, refuge was taken in the term "effective demand," and "foreign competition" offered as an excuse for the low rate of wages and the depression of the Home market. That some underlying causes must exist, which controlled or produced the effects known as "supply and demand," was clearly recognized by many of the economists, but the spirit of the age was not then one of inquiry as regards social matters, and their voices were drowned in

### THE CHAOTIC TURMOIL OF THE RACE FOR WEALTH.

The solidarity of society was not understood; individualism reigned rampant. It was "every one for himself, and the devil take the hindmost." Under these circumstances, it is not surprising that the popular mind regarded producers and consumers as two different sets of persons, out of whom profit was to be made; and the seeming infinite extension of a foreign trade blinded manufacturers from recognizing their employees as either—directly or indirectly—forming a part of their market. Had it not been for the immense development of England's foreign and colonial trade combined with her peace policy, which enabled her to manufacture and secure markets while other nations were at war, "capitalistic industry" would have broken down long ago.

THE MOST PERNICIOUS PART OF CAPITALISTIC ENTERPRISE is that while production can only be undertaken for profit, and not for use, it is curtailing its own market and practically eliminating itself; which is proved by the well known fact that wages and the rate of interest fall together. It must be obvious that where the mass of the wage-earners are only receiving back so much less than they create, "effective demand" must be continually reduced. Hence new markets are the only prop for falling industry, and for a time ward off the evil day. It must be patent that the principle which applies to a small self-contained community, is also correct in regard to the whole world, which is a large self-contained community, and the same results will ensue. It has been remarked by an English thinker of some note that "the instincts of the masses were more reliable than the economics of the classes," and, upon reflection, we cannot but be impressed with the truth of this utterance.

### THE POLICY OF OUR CAPTAINS OF INDUSTRY,

our pioneers of commerce and our investors, has been to force on a system of chaotic and badly regulated production, while the wage-earning masses have, by their efforts to sustain or raise the standard of living, been unconsciously endeavouring to establish a well regulated consumption, and to preserve the balance of Home trade by steadying the market. Their in-