

THE
PRESENT ECONOMIC
REVOLUTION
IN THE UNITED STATES

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CHAPTER ONE

INTRODUCTORY

I

FORTY years or more ago, it began to be fashionable to comment, on the one hand, upon the awful concentration of wealth in this country, and, on the other, upon the masses of poverty that were concentrated in the slums of our cities. A flood of ink was poured upon the subject, and lecturers made the ears of the public to tingle with horror at the evils of the so-called capitalist system. Some went so far as to say not only that the rich were growing richer and the poor poorer, but that this was the inevitable result of the capitalist system. Plutocracy and poverty were its twin offspring. The public was asked to choose between capitalism with its hideous progeny and some other system, say socialism, with all its difficulties. We were told positively that we had no other choice; that the modern world was between the devil of plutocracy and the deep sea of socialism.

In all of this discussion the facts were perverted and the underlying principles misstated, and yet there were certain large and visible facts that lent a semblance of color to the argument. If any one un-

dertook to show that such results were not necessary products of the present economic system, the huge fortunes of our multimillionaires and the slums of our cities were pointed out to him as evidence to the contrary. Here was something that was difficult to explain; at least to the satisfaction of minds that were not trained to clear economic analysis.

The speeches that were written during the period from 1870 to 1910 are now out of date, and yet a considerable number of people who learned their speeches then are unable to stop. They are still repeating them with parrot-like persistency. Instead of the concentration of wealth, we are now witnessing its diffusion; but the old tirades against plutocracy are still repeated. Instead of low wages for the manual trades, we are now having high wages; and yet the old phraseology, including such terms as wage slavery, still has a certain vogue. Instead of the laborer being in a position of dependence, he is now rapidly attaining a position of independence. The apostles of discontent are being robbed of their thunder. Some of them are even showing signs of resentment toward the present tendency to improve the condition of labor because it has robbed them of a pet grievance.

To the economic mind it was apparent, even in that period of labor depression, that the enormous differences in wealth and prosperity which then came to different classes were not a necessary result of the

capitalist system; that it is just as possible to attain equality under capitalism as under any other system; that the inequalities which exist under it are due to disturbing factors that are easily removable and are not due to the nature of the system itself.

On the other hand, untrained minds were asserting that the capitalist system was about to collapse; that it was inherently bad and could not endure. As a matter of fact, capitalism could no more collapse than peace could collapse or liberty collapse. Peace cannot collapse; it can be destroyed by force, and nothing but force can destroy it. Liberty cannot collapse; it can likewise be destroyed by force, and nothing but force can destroy it. In the absence of force, peace and liberty simply exist; they do not have to be created or supported. Capitalism has its beginnings in a condition under which no man can be dispossessed of what he has produced or discovered except with his own consent. In the absence of force, capitalism automatically exists in the same sense that peace and liberty automatically exist. That is to say, if the man who has made a tool cannot be dispossessed of it without his consent, it is his. If he is dispossessed with his consent, that is, if he sells it to somebody else, then that other person cannot be dispossessed without his own consent; he owns the tool. Whether the tool be a small one or a large one, the same principle applies. You cannot destroy capitalism until you make it possible for the pro-

ducer to be dispossessed of his product against his consent. That implies the use of force. To talk about capitalism collapsing is, therefore, to be devoid of understanding.

The time has come when it is no longer necessary to rely upon theoretical analysis to show that wealth can be diffused under the system of voluntary agreement. Prosperity can be given to all classes, without giving up the system of voluntary agreement among free citizens as the method of getting things done. We are actually beginning to achieve a wider diffusion of prosperity; students know it, and everybody else feels it, except those few who are still harping on the old theme.

To have said this forty years ago or even twenty years ago would have been unconvincing to any except the more analytical students of economics. Those who said it were like voices crying in the wilderness. We now have facts enough on our side to convince any except the most stubborn apostles of discontent. One of the purposes of this book is to convince reasonable minds that it is not only possible to have a wide diffusion of prosperity among all classes, but that we are actually beginning to realize that possibility here and now.

The world, however, will not be robbed of all its grievances. Now that wages are high and likely, sooner or later, to go higher, another class of pessimists is beginning to wonder whether civilization

can maintain itself or not. How can we have servants to do our rough work for us if they insist on having wages that are comparable with the incomes of the heads of our households? How can we possibly build the new enterprises that civilization demands unless we have cheap labor? How can we entertain graciously unless we can have an hereditary servant class to relieve the hostess of all responsibility? What is to become of the old benevolent and paternal relationship between employer and employee, if employees insist on making of their labor a commodity and selling it to the highest bidder? In those countries where there is a chronic oversupply of labor, labor is never a commodity; it accepts the condition of dependence, attaches itself to some patron, and insists on a paternal relationship. Almost without exception, as soon as labor begins to be scarce and hard to find, laborers insist on breaking up this old personal relationship and treating their own labor as a commodity, selling it in the highest market. Thus it happens that, in the most economically advanced countries, labor itself insists, in practice if not in words, that labor is a commodity. Those who regret the old, paternal relationship and long for a condition in which laborers are dependents are, of course, pessimistic regarding the new situation and wonder whether civilization can endure or not. Another purpose of this book is to show that the conditions that make labor a com-

modity tend toward a higher state of civilization than the conditions that make it a dependency.

II

The Great War produced a number of political revolutions in Europe. It has not yet produced an economic revolution.¹ A number of old governments have been overthrown and new ones set up in their places. In some cases this resulted in a temporary economic debacle, but wherever industry has begun to function again it looks so much like that which existed before the revolution as to be difficult to distinguish from it. No significant improvement over the old forms of industry has yet been produced in any European country by any of these political revolutions. Their ultimate economic effects go no deeper than those that follow the ousting of one gang of politicians from the government of an American city and the substitution of another.

An economic revolution may follow as a result of a political revolution, but usually it does not. According to De Tocqueville the one significant economic result of the French Revolution, which was primarily political, was that the land of the peasants was freed from a multitude of duties and restrictions and became their property in a more complete sense

¹ See an article by the writer in *Aera*, also in the *Electric Railway Journal*, October, 1924.

than it had ever been.¹ Up to the present (1925) that is the only economic improvement over the old régime that is noticeable in Russia; yet the specific purpose of the Russian revolutionists was to use the power of government to force a new economic order upon the people. In spite of the most ruthless exercise of governmental power which the modern world has ever seen, they have found the economic forces too much for them. As to the peasants and the land, the most that the revolution did was to accelerate a process that was already going on. More than that, the whole process was toward the private ownership of land, which is the direct antithesis of communism. In short, the economic forces brought about the private ownership of land by the peasants in spite of rather than with the help of the new political power with its communistic notions.

Economic revolutions usually proceed from causes that lie deeper than politics or government. The most that a government can do is to hasten or retard them, and even this is not always possible.

The only economic revolution now under way is going on in the United States. It is a revolution that is to wipe out the distinction between laborers and capitalists by making laborers their own capitalists and by compelling most capitalists to become laborers of one kind or another, because not many

¹ See Alexis de Tocqueville: "The Old Régime and the Revolution." Harper & Brothers, New York, 1856. Translated by John Bonner.

of them will be able to live on the returns from capital alone. This is something new in the history of the world.

The labor movement in this country is so far in advance of that in any other country as to make comparison impossible. In European countries, including Great Britain, labor organizations and the more conspicuous labor leaders are still pursuing antiquated methods that are comparable to the attempt of a man to lift himself by his boot straps. Here they are using the solid ground of capital ownership and are actually lifting themselves into positions of well-being that amount to affluence in comparison with the conditions of European laborers. In European countries their organized, political activities are dominated by a psychology that was built up in a primitive and fighting stage of social development; here they are emerging from that stage and are beginning to think in constructive terms such as belong to a progressive and industrial stage. In European countries they are grasping at the shadow of political control, but never have and never will by that method put an ounce of the substance of economic prosperity into the hands of any laborer. In this country they have, with few exceptions, refused to be deceived by shadows and are rapidly gaining the real substance of prosperity.

Those minds that are still thinking in terms of the primitive tactics of class war will not understand a

single syllable of the last paragraph. The labor movement in this country is passing out of the stage in which leadership concerned itself mainly with the immediate tactics of battle. It is passing into the stage where it is concerning itself with the higher strategy of labor. This higher strategy takes account of the permanent economic forces and puts laborers in a position where these forces work for them rather than against them. Instead of continuing to fight capital they are beginning to recognize its power and to use it as an implement for their own improvement. There are at least three kinds of evidence that indicate roughly the extent to which laborers are becoming their own capitalists: first, the rapid growth of savings deposits; second, the investment by laborers in the shares of corporations; third, the growth of labor banks. These will be discussed in later chapters.

These improvements will inevitably produce a change in the so-called relationship between capital and labor. This does not mean that every possible source of conflict between employers and employees will be removed. Such a possibility does not exist. "Every possible human relationship has in it elements of conflict as well as elements of harmony. This is true of the most intimate and the tenderest of human relations, as well as of the most perfunctory and businesslike. Even husband and wife, if they permit themselves to think of such things, will

find elements of conflict in such questions as the division of the income, who shall have the auto on a given afternoon, etc. Their relationship also, of course, has many elements of harmony. Each needs the other, and in a great multitude of ways each gains in proportion as the other gains. Whether they live in peace and harmony or in a state of antagonism depends upon which aspect of their relationship they permit themselves to think about most frequently. If they permit themselves to forget their need of one another and the many questions on which their interests harmonize, and to think only of the questions on which there is a conflict of interest, they are not likely to live a very harmonious life. But if, on the other hand, those questions on which there is a unity of interests occupy their minds, they may expect nothing but peace and harmony.

“Even the most perfunctory and businesslike relationship also has its elements of harmony. The producer, for example, needs the consumer, and the consumer needs the producer. When consumers are prosperous, they make better customers for the producer. When producers are prosperous, they are likely to be stimulated to higher endeavor in the service of consumers. On the other hand, when they meet face to face, to bargain over prices, they find a very definite source of conflict. The producer would like to sell at a higher price; the consumer would like to buy at a lower price, and there may be a great

deal of 'higgling the market.' If they forget their need of one another and the large elements of harmony in their relationship, and think of nothing except the immediate problem of bargaining and the irritation that grows out of it, there may grow up a mutual hostility which, when shared in by large numbers, may result in the injury of both classes. The same may be repeated with respect to employer and employee, capitalist and laborer, student and teacher, parent and child."¹

While the economic changes that are now in progress will not eliminate every possible source of conflict between employers and employees, they will produce a change in the state of mind toward things about which employers and employees habitually think. Laborers who are themselves capitalists in a small way will be compelled by that circumstance to think somewhat more about capital. They will understand a little more clearly what it is and what it does. Employers likewise who find it necessary to work harder than before, in order to make anything out of their capital, will be compelled to think a little more about the problems of their employees, and both employer and employee will be compelled to think more about the common enterprise in which they are engaged, from which each derives his income, and on whose growth and prosperity the wel-

¹ See Carver and Hall, "Human Relations", D. C. Heath & Company, 1923, Chapter XVII.

fare of both classes depends. This in itself should bring a greater degree of harmony between them, as surely as a greater degree of harmony comes to husband and wife when they think primarily of the things that unite them rather than of the things that divide them; or when producer and consumer think of their common interests rather than of their antagonisms. This will be a new thing in the modern world; and we are justified in calling it an economic revolution.