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# ESSAYS IN SOCIAL JUSTICE

BY

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## CHAPTER XIV

### THE CURE FOR POVERTY

POVERTY is as unnecessary as malaria or yellow fever. Let that be stated once and for all. But there is a right way and there are multitudes of wrong ways of trying to cure any of these maladies. Each method has its own violent partizans. He who opposes any of these methods is, from the standpoint of its advocates, a standpatter, an advocate of a *laissez faire* policy. We are all *laissez faire* economists on some points; there never was a *laissez faire* economist on all points. Even the socialist turns out to be a standpatter and a stickler for a *laissez faire* policy when it comes to a remedy for poverty which operates in accordance with what economists are accustomed to call economic law. The so-called orthodox economist believes that if the state would do a few right things it would then be unnecessary to do the thousand and one wrong or ineffective things now being advocated in behalf of "labor." With respect to the few right and necessary things, he is an advocate of state interference. With respect to the many wrong and ineffective things, he is an opponent of state interference.

Not only is poverty unnecessary, but we can have any degree of equality we want, if we are willing to pay the price and if we are willing to work in harmony with economic law rather than against it. Moreover, we can have this equality without attacking the competitive system, the institution of private capital, of freedom of contract, of freedom of initiative and enterprise, or any of the social institutions which

have helped us thus far in our progress. We can have equality as between different occupations, and still leave every man to conduct his own business, every one to find his own employment, every farm, shop, store and factory to be run as private enterprises. This would be as much better than socialism as a living organism is better than a machine.

Many ardent reformers become exceedingly impatient when the economist begins to speak of economic law. Some of them even go so far as to declare that such economic laws as that of diminishing returns and the principle of population are mere inventions of the economist to postpone social reform. As well might the bacteriologist be accused of having invented the germ theory of disease in order to prevent the cure of human ailments. One result of the studies of the bacteriologist is to throw discredit upon certain favorite remedies, but at the same time they point the way to genuine remedies. So it is with the studies of the economist. Though there are many doctors who still antagonize the teachings of the bacteriologist and bio-chemist, there are even more who antagonize those of the economist.

After all is said that can be said about poverty, we come back in our saner moments to the question, why does the poor man's labor sell for so little? Why does his service bring so low a price? This is a question of value and price. Until we are willing to face this question, and reason it out as we would the question of the price of anything else, we shall never get very far. The question of the low price of the poor man's labor resolves itself into the two questions, why is the demand for his labor so small, and why is the supply so large? When we are in a position to answer these two questions, we shall then, but not before, be able to suggest constructive remedies. That is, we can then begin to study how to make the demand greater and how to make the

supply smaller. Working along this line, we can go as far in the direction of equality as we really care to, provided we are willing to work consistently, and accept the consequences of equality when they come. We shall also find that equality is quite consistent with the private ownership of capital, with the competitive system, with freedom of initiative, freedom of enterprise, etc.

The best way of increasing the demand for labor is to increase the supply of other things which have to be combined with it in production. If there were no bread on which to spread butter, there would be a much smaller demand for butter. With an abundant supply of cheap bread, we are willing to buy a good deal of butter to eat with it. Thus the increase in the *supply* of bread tends to increase the *demand* for butter. Vice versa, if there were no butter to spread on our bread we should doubtless find bread less appetizing and buy less of it, unless we could find some good substitute for butter. But with a good supply of cheap butter or its substitutes, we find bread satisfying, and buy a good deal of it.

This case of bread and butter is only one illustration of a general economic law with innumerable applications. Where two articles are substitutes for one another, and they compete with one another on the same market, an increase in the supply of one will decrease the demand for the other. They satisfy the same demand, and if one increases, the total demand is more nearly satisfied, and there is accordingly less demand for the other. But where one is not a substitute for the other, but where, on the other hand, one article does not satisfy a demand unless the other is joined with it, then they do not compete with each other. The increase in the supply of one increases the demand for the other.

Where two kinds of labor, say native and foreign, or white and black, do the same kind of work, they satisfy the same demand. One is a substitute for the other. Consequently the increase of one kind diminishes the demand for the other. But if they do not do the same kind of work, but different kinds which have to be combined in production, as hand labor and managerial labor, or as the labor of farmers and millers, or millers and bakers, then they are not substitutes for one another, they do not compete with one another, and an increase in the supply of one increases the demand for the other. It is obvious that the more farmers there are growing wheat the greater will be the demand for millers, somewhere, to grind that wheat, and the more farmers and millers there are, the greater will be the demand for bakers. That is to say, this case comes under the same law as bread and butter.

Not only is it necessary to unite different kinds of labor to produce a given article, it is also necessary to have land and tools to combine with labor in order to get the best results. With an abundant supply of good land, there is a large demand for labor to work the land. Reduce the available supply of land, and, other things equal, you reduce the demand for labor. The abundant supply of fertile land which we have had in this country has had more to do with our high wages than any other single factor.

One way of increasing the available supply of land is that pointed out in Chapter XI, namely, the forcing into use of the land which is now held out of use for speculative purposes. When land is held out of use for any purpose it is, temporarily at least, subtracted from the supply. For the time being it might as well be non-existent, so far as it affects production and the opportunities for labor. A tax on such land which would absorb all possible speculative

profits would tend to force it into use. If it is put into use, men would have to be employed upon it. This in itself would increase the demand for labor.

This increase in the available supply of land, or in the quantity of land in actual use would, unless the labor supply increased correspondingly, increase the acreage for each laborer, tend somewhat toward extensive cultivation, and thus toward a larger product per man. It is this larger product per man upon which the average well-being of the whole population depends. There is a popular opinion to the contrary, that is, in favor of intensive rather than extensive cultivation. This opinion seems to be held as largely by the laboring people as by the employing classes, though it works to the disadvantage of the former and to the advantage of the latter. So persistent is this error that it seems necessary to examine it in some detail.

Mr. Henry A. Wallace,<sup>1</sup> writing in *Wallace's Farmer* for December 27, 1912, makes the following exceedingly pertinent observations regarding the comparative merits of Bavarian and Iowa farming. After calling attention to the larger yield of farms in Bavaria he says:

But when we consider that the Bavarian farmer puts at least five times as much human labor on each acre of farm land, is it surprising that he gets from one-fourth more to double the Iowa yields? Really, he should get far larger yields if the man who works on the land is to get anywhere near as large returns as in Iowa. . . . To make a long story short, I figured the total number of therms of sun's energy imprisoned in Iowa by farmers with the corn, oats, wheat, barley, rye, potato, and hay crop, and also Bavaria. As a result, I found that for every man, woman, and child connected with farming in Iowa, 14,200 therms of sun's energy were imprisoned, while for every man, woman and child connected with farming in Bavaria, only 2,600 therms were stored up. In other words, the average Iowa farmer is

<sup>1</sup> From a paper read by the author before the American Economic Association, at the twenty-fifth Annual Meeting.

six times as successful in his efforts to capture the power of the sun's rays as the average Bavarian farmer. On the other hand, the average acre of Iowa land is only about one-seventh as successful as the average acre of Bavarian land in supporting those who live upon it. If we look on land as the unit, then the Bavarians get better results than we in Iowa; but if we look on human labor as the unit, then the Iowa farmers are far ahead of those in Bavaria.

Here is a clearly drawn issue. Before we can determine which is the better system of agriculture, we must first decide whether we are to look on land or labor as the unit. Before we can decide this question we must distinguish between the interests of the individual farmer and those of the general public.

From the point of view of the individual farmer, the question as to what constitutes good farming depends entirely upon circumstances. If he is farming where land is scarce and dear, while labor is abundant and cheap, wise management will require him to economize land rather than labor. If his land costs him a great deal, he will fail unless he can make every acre produce a great deal, whereas, if his labor costs him very little, he may succeed if each unit of labor produces only enough to cover its cost. But if the conditions are diametrically opposite, — that is, if land is relatively cheap, but labor scarce and dear, — then he must be particularly careful to economize labor. Since each unit of labor costs him a great deal he must see to it that each unit produces at least as much as it costs, otherwise he will fail; and, since each acre of land costs him very little, he may succeed even if each acre produces very little, always remembering, of course, that whether the acre produces much or little, each unit of labor *must* produce a great deal. Wise management will always require such an adjustment to circumstances as will economize most carefully the most expensive factors of production.

It happens that in Bavaria land is scarce and dear and labor cheap, at least according to American standards. During the greater part of the history of the United States, land has been abundant and cheap and labor scarce and dear, at least according to European standards. In these fundamental conditions we find a perfectly clear and satisfactory explanation of the facts recorded by Mr. Wallace. Now that both land and labor are becoming dear in the United States, the wise farm managers will try to increase their products per acre, but, if they are wise, they will not try to achieve this result in any way which will reduce the product per man. Labor is still so dear as to cause the speedy bankruptcy of any farmer who would try to increase his crop by the European or Asiatic method, or by putting five times as much labor into its cultivation as he now does. He must still hold rigidly to the use of all the labor-saving devices, but add to them such land-saving devices as he can find, such as underdrainage, commercial fertilizers, etc.

Some larger and deeper problems arise when we turn from the point of view of the individual farmer and assume that of the general public. Is it good that land should be scarce and dear and labor abundant and cheap, or is it better that land should be abundant and cheap and labor scarce and dear? The latter is, without any question, better for the laborer. It is also better for the farmer who does his own work, for he is, to that extent, a laborer. If labor becomes abundant and cheap, the farmer who does his own work will get very little for his work, though the value of his land and its rent will be increased. When labor is abundant and cheap, either the price of farm crops will fall to the level of the lower cost of production, or else land will rise in value because of its sheer and absolute scarcity. In the former case the whole farming class will lose. In the latter, they

who do the work will lose while they who own the land will gain. The farmer who is both a landowner and a laborer will lose in one way and gain in another. It may be a matter of indifference to him if his wages fall while his rent rises. But there are great social difficulties certain to arise under these conditions.

So long as labor is dear and land relatively cheap, the road is easy from the condition of farm laborer to that of farm owner. Wages being high, it is easy for the frugal and far-sighted farm hand to accumulate a fund of capital. Land being cheap, it does not take a very large fund with which to buy a farm. Under these conditions we shall never have an agricultural proletariat, nor a permanent class of farm laborers who can never be anything but farm laborers. But when labor is cheap and land dear, the road is steep and difficult from the condition of farm hand to that of farm owner. Wages being low, it is difficult for the laborer to accumulate capital. Land being high, it takes a great deal of capital to buy a farm. Few farm hands, under these conditions, will succeed in traveling this road successfully. We should then have an agricultural proletariat, — a permanent class of agricultural laborers most of whom can never hope to be anything else. This has never failed to happen in any country where labor is abundant and cheap while land is scarce and dear. We must make up our minds, and that right soon, whether we want this condition in the United States or not.

Under the law of diminishing returns, which may be regarded as one of the fundamental laws of economics, an adequate supply of land is necessary to a large product per man. Just what is an adequate supply of land will differ with the kinds of crops grown and the market for them. Where the market calls for small fruits and vegetables, and

is willing to pay a high price for them, a small acreage per man may be enough. But where the market demands the coarser products of the farm, — hay, grain, livestock, and the coarser vegetables, — a larger acreage will be found necessary to the largest product per man.

But land is not the only thing which has to be combined with labor. Russia has an abundance of fertile land but lacks other things which are as important as land, and which also have to be combined with her enormous supply of unskilled labor in order to get the best results. She needs wise rulers to govern her laborers well. What is more important, she needs more business talent to direct that labor intelligently. If she could train up two business men where she now trains one, if her nobility could be made to feel that a business career is the most respectable because the most useful career, it would benefit the laboring classes enormously. It would have the same effect on the labor market that an increase in the supply of saltpetre would have on the charcoal market in a previous illustration. Or again, what she needs most of all is a supply of wise teachers to make over a large proportion of her unskilled labor into skilled labor, and a large portion of her skilled labor into business ability or employing talent, capable of conceiving new productive enterprises and carrying them out successfully. Again, an adequate supply of capital, that is, tools, provided there were enough skill to use them, and, which is quite as important, provided there were enough business talent to organize and direct them and the laborers in a productive manner, would add greatly to the well-being of the laborers.

But so long as labor is not the limiting factor, that is to say, so long as there are more laborers than can be satisfactorily combined with the limited quantity of something else

which has to be combined with them, so long will laborers be at a disadvantage. When a few laborers could be spared with no loss to the total production, and when a little capital cannot be spared without considerable loss, so long will capital have the advantage in distribution. Create the opposite condition under which not a single laborer could be spared without a considerable loss, and a considerable fund of capital could be spared with little loss, and labor will have the advantage in distribution besides being in a position to dictate terms to capital. This is mainly a question of making capital so abundant that it ceases to be the limiting factor in production. The way to do this is to encourage saving and the accumulation of capital.

The first problem of reform in any system of distribution is to search for the limiting factor or factors. Find the factor which is so scarce, relatively to the opportunities for using it, that a little more or a little less will make a marked difference in the total production, and you will find the factor which is in a strong economic position, and commands a large share of the product. Find the factor which is so abundant, relatively to the opportunities for using it, that a little more or a little less will make very little difference in the total production and you will find the factor which is in a weak economic position and commands a small share of the total product. Whether the limiting factor be land, as in densely populated countries, capital as in countries where thrift has not developed, mechanical skill, as in countries where technical education has received little attention, or managing ability, as in countries where business education is difficult to acquire, and also where the business man is held in low esteem, the problem is essentially the same. The remedy is, of course, to increase the supply of the limiting factors. The remedy for a scarcity of the

higher forms of skill and managing ability is, of course, vocational education.

The well-being and general economic situation of the laborer and the small farmer are so much alike, and depend upon such similar conditions, that a further consideration of this problem is desirable. The large industrial unit, where hundreds or thousands of men are organized and directed under one head, has so impressed itself upon the imagination of the world as to lead men generally to accept it as an economic necessity. Farming alone seems to be, as yet, unassailed by the big capitalistic unit. Perhaps we are too hasty in concluding that it has come to stay in manufacturing and merchandising. Some examination of the economic position of the small farmer may throw light on that question.

It is a common error to suppose that justice would eliminate poverty.<sup>1</sup> If by justice is meant merely that each individual should get exactly what he produces, or what he is worth, it is certain that poverty would not be eliminated, and might not even be materially diminished. If each one gets only what he produces, or what he is worth, and if he does not produce enough to live upon, or if he is not worth enough as a worker to earn a wage which will support him, he will still be poor. Before we can eliminate poverty, therefore, we must not only secure justice for each individual, but we must also see to it that each one is made worth enough, or productive enough to enable him to live comfortably upon his earnings.

Nor would this result come about automatically under a regime of strict justice. The bad distribution of human

<sup>1</sup> From a paper on *The Redistribution of Human Talent*, read by the author before a meeting of the Vocational Guidance Association, held in Cambridge, Mass., 1911.

talent would still exist unless measures were taken to redistribute it according to needs. By the bad distribution of human talent is meant something quite similar to what would exist if material commodities were badly distributed in proportion to the need for them. If there is more of one commodity in a certain place than is needed, and less of another, the one will have no price and no purchaser, while the other will have a high price and many purchasers for each unit. Or, if there is almost as much of the one as is needed, and much less of the other, the one will have a low price, and it will be difficult to find buyers enough, whereas the other will have a high price and buyers will have difficulty in getting enough of it.

This law is particularly effective when we consider factors which have to be combined in the production of a given article. In a dry country where there is an abundance of nitrogen, phosphorus and potash in the soil, but no water, there may be a great demand for agricultural products, but these elements of fertility will be of little value. The man who tried to sell commercial fertilizer in such a community would starve. But water, being the scarce factor, or the limiting factor, and everything depending upon it, will command a good price. The man who can supply such a community with water will have no difficulty in selling it. Moreover, this would be just. Fertilizer, in that situation, is unproductive in the only sense in which the word productive has any real place in economics. Ask the question, how much more grain could be grown on that land if there were more fertilizer, and you will get some idea of the value to such a community of the services of the fertilizer man. He might be getting all he was worth, and yet be poor, in spite of the fact that he might be a thoroughly good man and his fertilizer first class. But ask yourself the same question

respecting water and you get an idea of the productivity of the water company. More water more crop. The men who bring water to this land may be no better than the men who bring fertilizer, and the water may be no better as water than the fertilizer is as fertilizer, yet if the water men get what their service is actually worth, they will get a large share of the product of the land, whereas the fertilizer men would, on the same terms, get a small share. This inequality in the distribution of the products of agriculture would not be due to social injustice, but to the bad distribution of the factors of production. This is the fundamental difficulty, of which the bad distribution of products is but the symptom. One who thought he could cure this bad distribution of products by merely changing the social system of distribution would only be covering up symptoms. In a rain-soaked country where fertilizers are scarce, the conditions and the results of the illustration would be exactly reversed.

Take any illustration you choose where several ingredients have to be mixed to get a given commodity, or several factors combined to get a given product, and you will invariably find that if the factors do not exist in the proportions called for, some being scarce and others abundant relatively to the need, those which are abundant will have little real productivity per unit according to any rational economic test, and those which are scarce will have a high productivity per unit. One unit more or less of the abundant factor will make little difference with the product. Very little product depends, therefore, upon any given unit. A new unit of this abundant factor will not be much needed, will not be worth much. But the factor which is scarce, which does not exist in sufficient abundance to combine with all the other factors, is really the limiting factor. One

unit more or less makes a large difference in the product. Much product, therefore, depends, under these circumstances, upon each and every unit of the scarce factor. This is what is meant by saying that, economically speaking, the productivity *per unit* of the scarce factor is greater than that of the abundant factor. It would be a greater gain to production to have a new unit of the scarce factor than to have a new unit of the abundant factor. It would be a greater loss to production to lose a unit of the scarce than to lose a unit of the abundant factor.

Returning to the gunpowder illustration of a previous chapter, the following observations will apply to this argument. Assume that charcoal is abundant and saltpetre scarce, and then ask the question, "More charcoal, more gunpowder?" and the answer is, "no." But to the question, "More saltpetre, more gunpowder?" the answer is, "yes." The production of gunpowder varies directly with the supply of saltpetre and only slightly, if at all, with the supply of charcoal. Every new unit of saltpetre increases the production of gunpowder, but a new unit of charcoal would be of practically no use.

This relation between conditions and results may be termed an economic law. It is a law which lies deeper than forms of social organization. It is grounded in the laws of physics. No scheme of social reform which would try to get at this inequality of prices by merely changing the social machinery would be worth a moment's consideration. It would not have advanced beyond the policy of treating symptoms rather than causes.

It happens, under the modern system of production, with its elaborate division of labor, that many different, non-interchangeable kinds of labor have to be combined in the production of a given article. These different kinds of

labor are to be treated as different factors, and bear precisely the same relation to one another as fertility and moisture in the soil. All that was said of moisture and fertilizer in the growing of crops, or of charcoal and saltpetre in the making of gunpowder, may be repeated of two different kinds of labor power, or talent, in the manufacture of any commodity. Where two or more non-interchangeable kinds of labor power, or human talent, have to be combined in production, and one is found in greater abundance than will combine satisfactorily with the limited supply of another, you have precisely the same condition in the labor market that you have in the fertilizer market where there is more fertilizer than will combine with the limited supply of soil moisture, or in the charcoal market if there is more than will combine with the limited supply of saltpetre. In other words, wherever you have a bad distribution of human talent, more of one kind than will combine satisfactorily with the existing supply of another kind which has to be combined with it in production, there you will have a bad distribution of the products of industry. Moreover, this bad distribution of products cannot be attributed to social injustice if by social justice is meant merely that each one shall get exactly what he produces. For, if one kind of labor power exists in greater abundance than will combine satisfactorily with the existing supply of some other factor, you have a situation in which any unit of that kind of labor can be eliminated with very little loss to production, and the addition of a new unit would bring very little gain to production; all of which means that, unit by unit, this kind of labor would have a very low productivity. Yet it might be very good labor, and under other conditions it might have a very high degree of productivity. That is to say, bring to this labor a larger supply of those factors which

have to be combined with it, but which we have assumed to be scarce, and every unit of this kind of labor will then be needed to combine with those new factors. Then the loss of a unit of this kind of labor would mean a larger loss to production, and the addition of a new unit would mean a larger gain to production, all of which means that, unit by unit, this kind of labor has literally become more productive, not through any change in itself, but through the increase of the other factors which have to be combined with it. This proposition is likely to be an occasion of stumbling to some, but it need not be to any one who can see that, in one of the foregoing illustrations, the chemical elements of fertility in the soil in a dry country may be made literally more productive by increasing the supply of another factor, viz., moisture.

It is a sad commentary upon the intelligence of our social reformers that so many of them fail to see the significance of this elementary economic principle, and continue to apply their remedies to symptoms rather than to attack the causes of the bad distribution of wealth. Because vocational guidance and vocational education go at the underlying cause, instead of attacking symptoms, they must appeal to every real progressive. By training the rising generation out of those occupations where labor power is over-abundant and into those where it is under-abundant, you not only increase the productivity of every individual so trained, and therefore of society at large, which is very important; but you accomplish the still more important result of tending to equalize incomes in different occupations. If the talent commonly understood to be possessed by the employing classes, so-called, can be made as abundant relatively to the demand for it as that of the so-called laboring classes, there will be no great difference in the incomes of the two classes.

There is danger, however, that this program may fail if it is carried out in a half-hearted and incomplete manner. If it aims merely at redistributing the supply of human talent among the laboring classes, that is, at making a more efficient body of employees, increasing the supply of skilled labor, it will result only in reducing the wages of skilled labor and enabling the employing classes to get skilled help at a lower cost than now, and thus increase their profits. What is particularly needed is a more numerous and more skilled class of employers. Of all classes of human talent, the scarcest, relatively to the need for it, is genuine entrepreneur ability. So scarce is this ability that it is like water in a thirsty land, where fertility and every other factor of production are abundant, only needing moisture to make them productive. We have enormous quantities of unskilled labor, but few men who know how to use them. This knowledge — the “knowing how” — is the scarce factor. If we can increase the supply of this rare kind of knowledge, then these vast stores of unskilled labor, now with a low degree of productivity, will be made more productive. More men who know how, — know what to do, — will fructify this mass. Ability to discern genuine opportunities for new enterprise, which is investing ability, and probably the rarest of all; ability to coordinate and organize the factors of production, which is managing ability in the higher sense, and which is, next to investing ability, the scarcest of them all; and ability to direct men in the actual work of production, which is administrative ability, and is also somewhat scarce, need especially to be increased. The scarcity of these kinds of talent reduces the effective demand for the lower grades of labor, just as the scarcity of water reduces the demand for fertilizer in the foregoing illustration. Conversely, the enormous supplies of labor, needing to be

directed, create an enormous demand for these scarce forms of talent, just as the supply of fertility in the soil needing to be irrigated, creates a demand for water, in the foregoing illustration. An abundance of entrepreneur talent and a scarcity of labor will bring down the price of the one and bring up the price of the other as surely as an abundant supply of water on a western plain, and a scarcity of fertilizer would bring down the price of the one and bring up the price of the other. In this direction, and in this direction alone, must we look for a solution of the problem of the bad distribution of wealth.

From the standpoint of a country which receives considerable numbers of laborers by immigration, the problem of the distribution of wealth is materially affected thereby. Migrations of laborers are brought about by a bad territorial distribution of the labor supply. When there is an excess in one region and a dearth, or a milder excess, in another region, the obvious remedy is a territorial redistribution. This tends toward equality as between different regions. But there may also be a bad occupational distribution, with an excess in one occupation, and a dearth, or a milder excess, in another. The remedy is equally obvious. Instead of a migration from one region to another, there needs to be a "migration" from one occupation to another. This, however, can usually take place only as a result of vocational training, which should have one and only one purpose, to train men for those occupations where men are scarcest and most highly paid. This will, at the same time, relieve those where men are abundant and poorly paid.

One of those half truths which are more dangerous than falsehoods is the statement, which so frequently emanates from the sapient minds of editors and magazine scientists, that since laborers are themselves consumers as well as

producers, there must of necessity always be work enough. It is scarcely conceivable that one of those who repeat this statement would go so far as to say that there must necessarily be work enough for each laborer at the exact spot where he happens to stand. If one once admits that it may be necessary for the laborer to move from the spot where he happens to be standing, the way is then open for a rational solution of the problem. Why should it be necessary for him to move? If he is an agricultural laborer, and he is standing on a crowded street corner, he must at least go where there is land to cultivate. This is an admission that something else besides labor is necessary. There must be land. But if he is in the country where there is land, but every farm is equipped with as many laborers as can be satisfactorily employed, he may have to go farther, until he finds a place where land is more abundant, or labor scarcer, which means the same thing. That is why agricultural laborers migrate.

But he might be at a spot where there is an abundance of land, but no tools with which to work. Unless he is prepared to make his own tools he may have to migrate again, until he finds a place where there is such a combination of land and tools as will furnish him the opportunity he is seeking. Or again, there may be no farmer with sufficient business ability to see how to use any more men to advantage; again he will have to migrate until he finds one who can, unless he can become his own manager. It is also conceivable that there might be so many farm laborers in his community, and so few factory laborers, miners, etc., to produce things to exchange for farm products, or so few carriers to transport them, as to destroy the opportunity for enlarged farm production. In that case our farm laborer, or others like himself, may find it necessary to change their

occupation. In short, to say that there must be work for everybody means nothing unless you qualify it by saying that there is opportunity for any conceivable number of men provided they can be properly distributed, both territorially and occupationally. If they are not so distributed, it is quite possible that there might be more on a certain spot than can possibly be employed on that spot, and more in a given occupation than can possibly be employed in that occupation.

This part of our discussion may be summarized as follows:

## I

A.<sup>1</sup> One large factor in the bad distribution of wealth is the bad distribution of men among the different occupations, too many crowding into the unskilled and too few going into the skilled and the learned occupations.

B. Children born of parents who have not been able to rise out of the poorly paid occupations are themselves more likely, *on the average*, to remain in these occupations than are the children of parents who have risen into the more highly skilled and better paid occupations to sink back into the poorly paid occupations.

C. Therefore, it would help matters if the birth rate could be reduced among those who remain in the overcrowded, underpaid, and unskilled occupations, and increased among those who succeed in rising into the more highly paid occupations.

<sup>1</sup> From a paper on *The Occupational Distribution of the Labor Supply*, read by the author, before The American Economic Association, in Washington, D. C., 1910.

## II

So long as immigrants enter a country in considerable numbers, and enter the ranks, particularly the lower ranks, of labor<sup>1</sup> in larger proportions, and the ranks of the business and professional classes in smaller proportions than the native born, continuous immigration will produce the following results:

A. As to Distribution. It will keep competition more intense among laborers, particularly in the lower ranks, and less intense among business and professional men, than it would otherwise be. This will tend to increase the income of the employing classes, and to depress wages, particularly the wages of the lower grades of labor.

B. As to Production. It will give a relatively low marginal productivity to a typical immigrant, particularly in the lower grades of labor, and make him a relatively unimportant factor in the production of wealth, — a few more or less will make relatively little difference in the total production of national wealth.<sup>2</sup>

C. As to Organization of Industry. Because of their low individual productivity, they can only be economically employed at low wages *and in large gangs*.<sup>3</sup>

<sup>1</sup> Cf. Commons, *Races and Immigrants in America*. Table between pages 108 and 109.

<sup>2</sup> A disproportionately large supply of one grade of labor as compared with the supply of other grades of labor with which it has to be combined in production, tends to make each laborer in that grade an unimportant factor in production, so that one laborer more in that grade adds very little to, and one laborer less subtracts very little from the total quantity which can be produced. By way of illustration, the reader is again referred to the gunpowder illustration.

<sup>3</sup> Just as scarce labor and abundant land lead inevitably to extensive farming where a small quantity of the scarce factor, labor, is combined with a large quantity of the abundant factor, land, so a relatively small supply of managing ability and a relatively large supply of the kind of labor which

D. As to Agriculture. If immigrants go in large numbers into agriculture, it will lead to one or the other of the following results, *in all probability the latter*.

1. The continuous *morcellement* or subdivision of farms, resulting in an inefficient and wasteful application of labor, and smaller crops per man, though probably larger crops per acre; or

2. The development of a class of landed proprietors on the one hand, and a landless agricultural proletariat on the other.

### III

If there are large numbers of immigrants belonging to races or nationalities which do not fuse with the rest of the population by free intermarriage, or with which the rest of the population will not intermarry freely, there will result one of the three following conditions:

1. Geographical separation of races; or

2. Social separation of races, i. e., in the formation of classes or castes, one race or the other becoming subordinate; or

3. Continual race antagonism, frequently breaking out into race war.

Of equal importance with the increase in the demand for the labor which is now poorly paid is the decrease in the supply. For a country such as the United States of America, which receives such large supplies of unskilled labor by immigration, the first and most obvious remedy is a restriction of immigration. This is in no way to be asso-

must be superintended, leads inevitably to a combination of a small quantity of the scarce form with a large quantity of the abundant form, i. e., one superintendent, foreman, or boss, over a large gang. Again, just as in the former case there will be high wages and low rent, so in the latter case there will be high salaries and low wages.

ciated with race prejudice. It is wholly a question of the occupational redistribution of our labor supply.

Wherever any particular class of labor is, for a considerable period, scarce and hard to find, there the conditions of labor are good for that class and it needs no social legislation for its protection; but wherever any particular class of labor is abundant and easy to find, there the conditions of that class of labor are bad except where mitigated by the kindness of individual employers, or by various kinds of social legislation, most of which are ineffective.

When any employer can hang out a shingle saying "men wanted" and have ten men apply for every job, so that he can merely take his pick and send the rest away, conditions are very easy for employers, but correspondingly hard for laborers. When any laborer can hang out a sign reading "job wanted" and have ten employers apply for his help, so that he can take his pick and send the rest away conditions will be as easy for laborers as they were under the first named conditions for employers, and as hard for employers as they were for unskilled laborers. So long as the former conditions prevail, the term "wage slavery," while inaccurate, will continue to convey a real meaning to the laboring man. Where the latter conditions prevail no one can use that term with a straight face. So long as the former conditions prevail, there will be a widespread feeling, and this feeling will be justified, that the laborer is in a helpless situation, so far as economic laws are concerned, and that his only hope is in numbers and brute strength. When this feeling is widespread, laboring men will be excused, if not justified, in the use of violence. There will be no effective public opinion to support the state in its efforts to preserve law and order. When there is some approach to the latter conditions there will be an easy recognition of the fact that

the laborers are not in a helpless condition, that they do not need to rely on numbers and brute strength, and public opinion will then support the state effectively and promptly in its maintenance of law and order.

While it may not be possible or desirable to reach such extreme scarcity of laborers and abundance of employers as described under the last named conditions, it is both possible and desirable to make some progress toward that condition and away from the first named condition. We can train a few more men to become employers, creators of new business enterprises, and thus increase somewhat the number of jobs for laboring men. This will do our present laboring population little good if the new jobs are promptly filled by immigrants. There must also be a restriction of immigration.

If immigrants entered the class of employers in the same proportion as do the native born, they would not materially disturb the balance. But they enter the laboring class almost exclusively, and the class of unskilled laborers predominantly. If they were excluded (which is not here proposed) our free education and liberal institutions would encourage them to rise rapidly out of the class of unskilled laborers, into the scarcer and better paid occupations. This would soon make unskilled labor, and ultimately all poorly paid labor, so scarce and hard to find as to put laborers in a strong position economically and make it unnecessary for them to resort to numbers and brute strength. Moreover, employers would have to offer satisfactory inducements to persuade laborers to work for them, and very little social legislation for the alleged protection of the laborers would then be necessary.

Better than exclusion would be a plan of restriction which would select those who were capable of entering the well

paid occupations and exclude those who would crowd into occupations where wages are already too low. The best way to do this would be to reverse our present contract labor law, and admit only such immigrants as could present contracts, signed by responsible employers, guaranteeing employment at two dollars a day for at least a year. (It is not necessary that the wage should be exactly two dollars. That is about the minimum on which a family can be supported in comfort and decency in any large city in this country.) This would admit all the laborers who were really needed. No employer can say, with a straight face, that he needs a man so very badly unless he is willing to pay him as much as two dollars a day. At the same time it would prevent the coming of hordes of cheap laborers whose influence is to depress the wages of unskilled labor. It would make the lower grades of labor so scarce as to eventually make two dollars a day the actual minimum wage without the difficulty of enforcing a minimum wage law.

If this reversal of the contract labor law is considered politically impossible, the literacy test comes as near an ideal as anything that has been proposed. This is said with a full recognition of the fact that literacy is not an invariable test of character. Neither is it an invariable test of fitness for the civil service, or for entrance to college. It is believed, however, that if all literate immigrants are arranged in one group, and all illiterates in another, the *average* of the literates would be better than that of the illiterates. Excluding illiterates would therefore improve the average quality of our immigrants.

Again, the illiterates go predominantly into the unskilled trade where wages are low. The exclusion of illiterates would therefore tend to make unskilled labor scarce, while the admission of literates would permit us to get all the

skilled labor we need, that is, to increase our supply of any kind of labor which can in any sense be said to be scarce.

It will be observed that nothing has been said in the above statement, about race, religion, eugenics, or anything of the kind. The reasons for favoring the restriction of immigration are purely economic. They relate wholly to the problem of improving the conditions of labor. The time is probably coming when any one's protestations of interest in the cause of labor in America, or of social welfare, will be laughed out of court unless he is willing to do the one thing which will really help labor, that is, make it scarce and hard to find, or jobs abundant and easy to find, which means the same thing.

The increase in the prosperity of the small farmer, who does most of his own work on his own farm, is quite as important as that of the laborer. His salvation depends upon his ability to compete with the large farmer or the farming corporation. Two things threaten to place him under a handicap and to give the large farmer an advantage over him in competition. If these two things are allowed to operate, the big farmer will beat him in competition and force him down to a lower standard of living and possibly to extinction.

One thing which would tend in that direction is a large supply of cheap labor. The small farmer now has an advantage in America because of the difficulty which the big farmer has in getting help. So great is this difficulty that many of the bonanza farmers are giving up the fight and selling out to small farmers. That is, the big farms, the farms that can only be cultivated by gangs of hired laborers, are being divided up. Give the owners of these farms an abundant supply of cheap labor, — make it easy for them to solve the problem of efficient help — and they will begin

again to compete successfully with the small farmer who, because he does his own work, has no labor problem. If we can keep conditions such that the capitalistic farmer has great difficulty in getting help, the small farmer will continue to beat him in competition, and the bonanza farm will continue to give way to the one-family farm.

By pursuing a consistent policy of reducing the supply of unskilled labor, of increasing the supply of the scarcer kinds of employing talent, as well as the supplies of land and capital, we can, by progressive stages, approach as near to equality of incomes as between occupations as we care to. If we do not do this, the only honest reason we can give will be that we do not care for equality in the concrete, however unctiously we may preach equality in the abstract.