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‘Bad Times Considered. Causes of Depression in England.’

Bad Times. An essay on the present depression of trade, tracing it to its sources in enormous foreign loans, excessive war expenditure, the increase of speculation and of millionaires, and the depopulation of the rural districts, with suggestive remedies. By ALFRED RUSSEL WALLACE, LL.D., London. Macmillan & Co., 1885. 12 mo. 118 pp.

The nations, Mr. Wallace holds, are being punished for their sins. Without obtrusive harping upon the moral aspects of his theme, he traces the bad times of which all Western nations now complain to the combined influence of causes, nearly every one of which is an offence against good morals and justice. Few books relating to industrial matters are as interesting as this, and though it covers only about 100 small pages, few give more real information on economic subjects.

Mr. Wallace first states the problem briefly. With conditions which seem to render prosperity certain, “we yet find trade crippled and labor paralyzed, goods of all kinds selling at unremunerative prices, yet the masses too poor to buy and universal complaints of diminished profits and restricted markets.” It is needful to remember that this is not the lament of an American politician, but the sober summary of an English economist. “It will undoubtedly be admitted,” he says, “that a system of society under which willing hands cannot find profitable work, and countless shops and warehouses overflowing with every necessary, comfort and luxury mock the longing eyes of insufficiently clad and half-starved millions, is neither a sound nor a safe one.” The evil is not confined to Great Britain, though it is plainly admitted that it is seen there in more startling phases than anywhere else. Hence in speaking of popular explanations, Mr. Wallace first combats the theory that “our unique system of free trade is the chief cause of the depression.” In answer he points out that the depression “has affected almost simultaneously the chief great manufacturing countries of the world.” He notices that the protective tariffs of other countries were not so changed in form or efficiency, about 1874, when the depression began, as to account for such a state of things after a long period of commercial prosperity. He reasons, too, that England has suffered through diminished exports only to certain special groups of countries, but elsewhere has either increased or remained stationary in exports, and that those are not all countries in which protective legislation has been efficient. Here he does not reason quite soundly. It is logically possible that the chief cause of depression of British trade with America may have been the development of manufactures here under a protective system, while very different causes may have affected trade with other countries. There is much evidence to support this view.

Mr. Wallace also argues that the demonetization of silver cannot be the cause of depression, because a relative change in the value of gold and silver “can only affect international exchanges or uniformly raise or lower prices, but can have no effect on either wages or profits.” The defect of the reasoning here will be apparent when the influence of foreign loans is considered. The writer then dismisses the theory of overproduction, showing that the phenomenon is in fact a diminution in the purchasing power of the people at home and abroad. The depression is defined as “a diminution in the demand for our chief manufactures.” But to Americans the diminished demand for food products and cotton is an important

feature. Pursuing his own rule, Mr. Wallace should have sought a cause which will account as well for diminution in the demand for American as for English products.

The first of the great causes considered is the remarkable increase in foreign loans, which were effected to the amount of \$1,330,000,000 during the years 1870-75. The first effect was to cause a vast demand for manufactured goods as the borrowed money was expended. To meet that demand, the power of production was vastly increased, and the number of persons employed in manufactures. Presently the borrowed capital was exhausted. Much of it had been spent in supporting the vices or the ambition of rulers; much more in meeting the demands of speculation, much more in wars, and much in unproductive or unwise railroad building. The writer might have added that during the same speculative period, much was wasted in opening unproductive mines. In time the people of borrowing countries had expended their borrowed capital, and were then taxed to pay interest on it. Thus they became poorer, and not only the increased demand which had been fostered by borrowed money ceased to exist, but they became less able to buy than they were before the borrowing began. A great part of the foreign loans were for objects essentially immoral, and they caused nothing but evil, particularly those which were expended in pandering to the vices or the ambitions of foreign rulers. Naturally connected with this cause is the vast increase in war expenditures by many nations. It is shown that the annual war expenditures of Great Britain, Austria, France, Germany, Italy, and Russia had increased from an aggregate of \$1,725,000,000 yearly in 1870 to an aggregate of \$3,060,000,000 yearly in 1884. This is indeed a startling disclosure, and as the author says, accounts not only for the needless expenditure of \$1,335,000,000 yearly more than was spent five years ago, but for great loss of life and property in wars, and an enormous increase in the number of persons sustained in unproductive occupations. With real eloquence Mr. Wallace shows that the war system, which harass everybody, is especially an injury to laborers.

Just at this point the inconclusiveness of Mr. Wallace's reasoning in regard to currency changes is apparent. If it is true, as many believe, that the partial disuse of silver has caused a general decline in prices, it has to that extent diminished the ability of every country which borrowed part of the \$1,300,000,000 loaned by Great Britain during the years 1870-75 to pay interest thereon. In like manner it diminished the ability of the people, with a given production, to support an increasing expenditure in money for armies and war equipments. It is true, the great change has been the increase of the burdens of six European nations by \$1,300,000,000 yearly, and the increase of \$65,000,000 yearly interest on money borrowed from England. It is exceedingly important to notice that this increase of burdens is far greater than any other yet perceived. But if it be true that a change in the kind of money employed has added 10 or 20 per cent to each of these burdens, it is not by any means a small matter.

Mr. Wallace then proceeds to consider the depopulation of English rural districts, and on this point submits a body of facts of peculiar and painful interest to British readers. He traces the exodus of a million people from country to city, within the ten years ending with 1880, and shows that the production of food is diminished by the great quantity which these people formerly raised in gardens and by caring for animals, whereas they have now to be supported wholly by others. In consequence the British imports of bacon and pork increased nearly six-fold, the imports of eggs nearly two fold, and the imports of potatoes more than thirty-fold, in spite of commercial depression. Mr. Wallace shows also that the abandonment of small allotments has resulted in a great decrease of production, and that there has been a remarkable increase of pauperism. The proofs he presents on this point are impressive. Though statistics indicate a decrease in the number of persons supported directly by poor rates, he shows that a vast number of organizations have been established, mainly within the past fifteen years, for the relief of distress, and

notes that in one parish alone no less than seventy such organizations are in existence. The depopulation of Ireland has also been an important factor, to which Mr. Wallace refers but briefly.

This agricultural depression he traces, not to bad harvests, but to a great increase in rents after the war in Europe and during the period of unusual prosperity, and to the want of any provision by which a tenant can be assured of a return for the capital expended in making the land more profitable. The decrease of more than 1,000,000 acres in arable land in Great Britain, with its diminished productiveness as pasture land, goes far to explain the exodus of 1,000,000 persons from country to city. These phenomena peculiarly concern British industry, and Mr. Wallace therefore traces them with great clearness of reasoning to defects in British laws regulating the holding of land. Naturally, in discussing remedies, he gives a principal place to land reform, and believes that a radical change in that respect would not only arrest the migration from country to city, but would bring about a reverse movement of vast importance, and a consequent enormous increase in the production of the country.

But Mr. Wallace does not give due weight to the fact that in this country also the same tendency to migration from the country, and to overcrowding in towns, has appeared within [p. 6b] the past fifteen years. Here it cannot be attributed to any such defects in the land laws as are found in Great Britain. Nor is it all clear that the same traits of human nature, and the same commercial and industrial influences, which take vast numbers of workers from the country in the United States, where free land can be had by anybody, would not render the contemplated remedies less potent in Great Britain than he supposes. One fact of almost incalculable weight in both countries, to which Mr. Wallace gives too little attention, is the cheapening of transportation, which the building of railways has so greatly promoted. The millions borrowed from Great Britain, and used in constructing railroads in this country, have not only made transportation so cheap that agriculture is much less profitable in Great Britain than it is used to be, but have also rendered agriculture far less attractive than it formerly was in the older of the United States. Nor should the multiplication of ships, and the great reduction in the cost of transportation by water, be overlooked in considering the causes of depression of British agriculture. Competition with the ryot of India, and with the ploughing and harvesting machines of Dakota, has done much to drive 1,000,000 workers to British towns, and it has also done much to drive a great number of workers from American farms to cities. But behind all this is the element of human nature which seeks the excitement of town life, the gregarious tendency which modern life intensifies the fondness for amusements and for drink, the belief that associated labor can prosper better than individual labor, the love of display with some and the passion for taking the chances of rapid advancement with others. Where deep forces of human nature play so large a part, it is not clear that any alteration of laws would have quite the effect which Mr. Wallace anticipates.

The next cause suggested is the great increase in the number of millionaires, whose income, the writer holds, is so expended as to afford much less demand for the products of labor than the same amount would afford if added to the income of many families. Mr. Wallace is not the first person who has concluded that millionaires are enemies of the race, and no part of his book is more childish than his assumption that the wealth which one may accumulate must be taken from others, leaving them the poorer. With so many examples of the power of accumulated wealth to cheapen products and services for all mankind, to develop resources that otherwise could not be developed, and to employ labor which without such accumulation could not be employed, Mr. Wallace might well have spared himself this display of weakness. On the other hand, in the treatment of speculation as a cause of evil, he lamentably fails to grasp the fact that it has been to a great extent a cause of causes. It has fostered foreign loans,

fattened on wars, and begotten excessive railway and ship-building. It has much intensified the fascination which draws multitudes from country to town, and has created many of these millionaires whose wealth has in reality been drawn from the pockets of others, and is not employed in the support of labor. But Mr. Wallace fixes his eye upon the Limited Liability acts, under which 8,643 British corporations were formed in seven years, and maintains that these are the source of great evil, as if speculation depended in any considerable measure for its existence and baleful influence upon this feature of British law. The taxation of all speculative sales is, however, one of the few practical remedies which the writer proposes, beyond a sweeping revolution in the land laws. Mr. Wallace's book is one of unusual interest and suggestiveness. But, as may be inferred, it does not leave one with an impression that he has found out how to eradicate the evil from the world. The worst of his book is that it does not show how human greed and weakness, dishonesty and selfishness, can be effectually limited to their operations. The best of it is that it forces the thoughtful reader to find in human sin the source of most human misery.

The Alfred Russel Wallace Page, Charles H. Smith, 2017.