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'Why We Have Bad Times.'

Bad Times. An Essay on the Present Depression of Trade. By Alfred Russel Wallace, LL.D. London and New-York: Macmillan & Co.

The author of those remarkable books on "Tropical Life," "The Malay Archipelago," and the cosmical one, "Island Life," in the volume under notice assumes a new guise, for, putting aside the naturalist, Mr. Wallace appears as an economist. Mr. Wallace tells us that the present work was written as a prize essay; that during 12 years of his early life his employment was that of a land surveyor and valuer. The first assumption, then, that the subject is new or unfamiliar to Mr. Wallace is not tenable; for he only amplifies, with wider experience and more matured judgment, a matter which occupied his attention before he became famous as a naturalist. If Sir John Lubbock discusses bees and the British Empire, and Mr. John Morley Rousseau and the present English Radicalism, why should not Mr. Wallace, whose mental powers are so keen and general in their bearing, take up the subject of bad times?

Certain portions of Mr. Wallace's work refer solely to English conditions, as "Rural Depopulation and Pauperism in England and Ireland," and are therefore of local interest, but the other subjects he treats about are general in their character and are pertinent to the present conditions of depressed trade as it exists in the United States.

Commencing with the fixed fact that England, the United States, and the rest of the world have felt this depression of trade, which began in 1874 and has been persistent ever since, Mr. Wallace tries to find the solution of this problem. "Why is it so?" he asks. Politicians and public writers have all commented on this depression and have advanced a variety of causes. Trade is bad because of (1) overproduction, (2) free trade, (3) overprotection, and (4) the unstable character of the value of the precious metals. In England the Home Secretary stated that "no economist could satisfactorily account for the wave of depression." As pertaining only to England, bad harvests and even good harvests, have been presented as causing diminution of business. No other political or social question has brought about such diversity of public opinion.

Taking the subject of overproduction, the one which most people advance as accounting the more readily for business depression, Mr. Wallace states, and we believe correctly, that it is rather a symptom than the cause of bad business. The overproduction is an apparent one, and it is due to the diminution of the purchasing power among the masses, not only at home but abroad. The desire to buy goods is just as strong as ever, but there is no money to buy with. Suppose you check the production, make less goods, does that increase the means of those who might want to purchase? "It is agreed by all political economists that general overproduction is an impossibility as long as any wants remain unsatisfied." Overproduction, it cannot, however, be denied, does and will produce "temporary or local distress," but under general conditions it ought to affect one or more particular kinds of business and not be universal in its character.

Let us, says Mr. Wallace, define exactly what is generally understood by overproduction. What it means is that we can make more iron, harvest more wheat, turn out more shoes than are wanted. Production is ahead of the purchasing power. Customers have no money and cannot buy. Workshops lessen their hours of labor, or try and lower wages, strikes follow, and there are diminished receipts on railroads. Competition among manufacturers, jobbers, and retailers follows, and there come failures and bankruptcies. In England from 1864 to 1873, what we call the business "boom" was as rapid as it was continuous; then in 1874 it stopped and has declined ever since. The case in England finds its parallel in the United States. How can it be possible that with the constant increase of the world's population the demand for iron, cotton, woolen goods, and everything else has not augmented? This seems to be the evident conclusion. Though there are more mouths to fill and bodies to clothe the world in general has less money. How does it happen that there is less money in our pockets? In presenting the case for England the analogy between the United Kingdom and the United States is close. Up to 1873, as Mr. Gladstone expressed it, commercial prosperity advanced "by leaps and bounds." Money was rapidly accumulated, and then came the mania of loaning money to foreign Governments. England was the cow overburdened with milk, and all Eastern Europe, and Egypt, South America, and Japan, drew the lacteal fluid, or the money, from her. When the money reached Cairo, or St. Petersburg, or Yeddo, the demand for English goods set in stronger than ever. England was getting her money back again, and now to supply all the iron or cloth wanted new foundries and new mills were started. By and by, when the Egyptian had spent his capital, as had the Mexican or the Brazilian, (for in building new roads or making improvements English guineas were freely scattered) there came what the French call "le quart d'heure de Rabelais." The principal being spent, now the interest on the loan had to be met. It is not necessary to state that in the majority of cases the interest was not forthcoming. The capital had been unproductively employed. Now, this is a misfortune, acting in a double way. It was not only injurious to the country making the loans, but to the State which had borrowed. It is a common law in economics that a loan judiciously made benefits all concerned, while one injudiciously made leaves all hands poorer, and what is true of individuals is true when nations are concerned. Mr. Wallace introduces a capital illustration. There is a well-to-do country town, doing a fair, legitimate business. A money lender advances money to all who want it. Then the spendthrifts and sanguine pledge all they have and secure money. Trade at once takes a new and vigorous start, and there is apparent prosperity. When the money is spent and the interest is called for suddenly comes the slack period. "Those who had spent the borrowed money unproductively are now worse off than ever." People are forced to save money, if they are honest, to pay the interest, and merchants find themselves crowded with goods with no one wanting to buy. In the United States we have not lent but we have borrowed a great deal of money and in many cases lost the advance in unproductive property, or have tied it up, and we have less money to spend, and therefore we are forced to buy as little as we can.

We shall try and follow Mr. Wallace in what we find in his volume pertinent to present conditions existing in the United States. An important chapter is the one entitled "Millionaires a Cause of Depression."

In 1874 there were in England 16 land owners each with an income of £100,000. To-day this number has been doubled. Of lesser fortunes, the capital being from £1,000,000 to £1,500,000, the increase has been notable. Great fortunes are becoming more common. Now capitalists in business if they employ their means have the power of rendering competition more severe. When the tide of prosperity comes, the capitalist extends his business, distances rivals, and controls trade. When the tide recedes he can keep his head longer above water. His money will ruin others less rich than he is, for he can work and live on a smaller profit. At his will he can glut the market, and it may be his policy to do so. To ruin others in a falling market is perhaps to drive off rivals and so diminish his own losses. "With a number of comparatively small capitalists the suffering would be less severe, because they could not afford to work at so low a rate of profit or to risk the accumulation of such large stocks, and thus production would keep more closely to the demands of the market." We think there is no disputing this statement that "Whenever the few rapidly accumulate excessive wealth, the many must necessarily become comparatively poorer." Both Adam Smith and John Stuart Mill assert this, and the latter writes that, "resting as it does on a law of arithmetic, there is no escape."

It is often argued that the millionaire spends a great deal of money, and so consumption is increased. But this idea is not really tenable. One man having $50,000 to spend a year can only eat a fixed quota of beef and bread enough for one person. Fifty men with an income of $1,000 each will eat and drink fifty times as much. The millionaire may spend the money not necessary to feed himself on yachts, pictures, jewelry, flowers; but the 50 who have $1,000 to spend more money for clothes, furniture, linen, &c. "The 50 will in the aggregate give an immensely greater support to home manufactures and general trade." Human existence, of course, is not a happy one when we only look to feeding it and clothing it. Objects which please the eye or delight the taste are not always to be considered as the superfluities of life; but Mr. Wallace, taking the increase of trade occupations in England, presents these very curious facts, which seem to strengthen the theory that the industries which give the luxuries to the rich are on the increase, while those furnishing the necessities are either at a standstill or diminishing in England. With a growth of the English population in the decade ending 1881 which was 14.36 per cent., cotton manufacture had increased only 6 per cent., while linen, hosiery, and woolens showed a decrease. Drapers had decreased, while there were more milliners. There were 24 per cent. more florists and 37 per cent. more of musical instrument dealers. Perhaps there would have been more perfumers and jewelers. Individual wealth certainly increases the gains of a certain class of traders, while it diminishes "the consumption of the necessaries and ordinary comforts of life, contributing to bring about the prevailing depression of trade."

Something on which great stress should be laid is the dependence of one country on another. The impoverishment of the inhabitants of any one European country at once affects the people of another country. "The ties of commerce unites nations alike for good and evil, and render the prosperity of each dependent on the equal prosperity of all the rest." The political conditions of the Old World, the uncertainties of business, consequent, say, on the disturbed state of Ireland, affect every merchant and trader in the United States, and induce bad trade.

Mr. Wallace presents as clearly as he would any zoological fact the pernicious influences of war, and how it is tending toward the ruin of European States. Since 1870 the armies and navies of the Old World have been increased by 630,000 men, and the 3,683,706 soldiers represent but a proportion of the population taken away from the pursuits of useful labor. To feed, clothe, equip these soldiers and sailors to the labor of 7,000,000 men is necessary. To pay for the men and for their food and arms every family in Europe is taxed $25. This amount alone diminishes enormously the purchasing power. Should there be war, such strife never clears off the back debts, but increases the general taxation, inflation may follow on the side of the victors in a war, to be inevitably succeeded by a period of depression which leaves a country worse off than before. Every gun fired is a waste of material, as much lost to the world as a house when consumed by the flames. Turning to the United States, where our armed force is kept down to its lowest figure, Mr. Wallace says that “nowhere in the world have colossal fortunes, rabid speculation, and great monopolies reached so portentous a magnitude or exerted so pernicious an influence.” Comparing our municipal debts with those of England, he declares that our heavy burdens arise in major part from a system of organized plunder. Our trade depression, Mr. Wallace believes, arises in part from bad business all over Europe, that commercial dependence before described, and in no small degree from rings and corners in every department of business, from huge railroad monopolies, and the colossal fortunes of American millionaires. There are the inevitable fluctuations of trade, but bad trade in the majority of cases does not arise from accident but from our own personal acts.

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