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ON THE
DISPLACEMENT
OF
Labour and Capital.

A Neglected Chapter in Political Economy.

BY

AUGUSTUS MONGREDIEN,

Author of "Free Trade and English Commerce," "Wealth-Creation," &c.



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P R E F A C E.



THE displacement of labour and capital, whence flow so many evils to the traders and workers of the community, is the result of a great variety of causes, operating either in combination or isolatedly. Are all these causes controllable by man,—or are some of them beyond his control? To solve this question is the object of the following pages.

If the causes referred to are clearly divisible into two categories, it is important to discriminate between the two sets of causes, lest we should ascribe to the one effects due to the other, and, like an unskilful coachman, lash the horse that pulls, instead of the one that lags.

AUGUSTUS MONGREDIEN.

Forest Hill, S.E.

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CHAPTER I.

OF THE CAUSES OF DISPLACEMENT SOME ARE BEYOND
MAN'S CONTROL. ENUMERATION OF SUCH CAUSES:
FIRST CAUSE—PROGRESS OF CIVILISATION.

No one has yet succeeded in fully accounting for those fluctuations of trade which are everywhere of periodical, though of uncertain, recurrence, and which so vitally affect the condition and fortunes of a vast number of human beings. The causes of these fluctuations are so numerous, so various, sometimes so apparently capricious and unfathomable, and are so often connected with political or financial combinations which no one had foreseen, that to collect all the data requisite to foreshadow coming changes in the relations between supply and demand is practically impossible.

Hence it is of all the greater importance to realise the fact, to which it is the object of these pages to call attention, that several of the causes which produce fluctuations in trade are, from their very nature, independent of man's volition, and that, as far as their operation goes, the "bad times" to which they give rise are not ascribable to any defect in man's agency, or in the constitution of society. Good legislation may, indeed, somewhat abridge the duration, or alleviate the severity, of these evil phases of commerce, but "bad times," as far as they are due to the class of causes to which we have referred, are the outcome of forces that lie outside the domain of man's energies.

The phrase "bad times" is the popular summing-up of a state of things in which labour and capital are more or less displaced from their previous channels of employment, and are thereby more or less shorn of their accustomed rewards or earnings, viz., of wages or salaries, on the one hand, and of interest or profits, on the other. Of the various causes which may have combined to produce such a state of things, some, as we have said, can and others cannot, be averted by human efforts, and it is important that we should carefully distinguish between these two sets of causes.

When bad times occur, a pretty general notion prevails that they might have been avoided by some action which statesmen ought before to have taken, or that they could be remedied by some action which statesmen ought then to take. This notion is only partially correct. For, to some extent, sometimes to a great extent, the displacement of labour and capital may be due to irresistible influences with which statesmen cannot grapple, and against which legislation dashes itself vainly like waves against a rock.

It must surely be a matter of great interest and of great utility to ascertain how far the fluctuations of trade are traceable to agencies that are beyond our reach ; so that we should not waste our time and energies in contending against the inevitable, nor have our attention diverted from what is possible, by directing it to what is not. It imports us to know that there are some causes of commercial depression from which no scheme of fiscal policy however perfect, no form of government however faultless, no conduct of human enterprise however prudent, can altogether exempt the trading community. From the operation of these causes there is no escape. Displacement of labour and capital is their necessary result : displacement more or less general, more or less lasting, more or less alleviable, but none the less bitterly distressing while it endures.

Here we confine our task to the enumeration and examination of such causes of displacement of labour and capital as come under the category of "unavoidable." We are to leave out of our consideration all those evil-begetting causes which originate in man's action or want of action—in what he has done or what he has left undone. Among the

numerous items which compose the large class of remediable social scourges, a few may here be indicated : such as wars, preparations for war, international jealousies, protective taxes on imports, obstruction to the division of labour, bad government, insecurity of person or property, neglect in diffusing knowledge, and consequent ignorance and crime, &c., &c. These form a small, though important, part of the innumerable suicidal devices by which man contrives his own infelicity, and contends against his own well-being.

But with these we have nothing further to do here, and we now proceed to the special consideration of those causes of the displacement of labour and capital over the origin and operations of which the controlling power of human legislation can exercise very little influence. Of these causes we shall specify seven, and we shall begin by one of the most important, viz. :—

1. The Progress of Civilisation.—That the evils of displacement should proceed from such a cause may, at first glance, appear a strange and paradoxical proposition. But it will soon be made evident that there are few causes that more effectually detach capital and labour from their old accustomed employments. True, that the same cause speedily opens fresh and, perhaps, richer fields for their operations elsewhere. But these fresh fields are generally remote, and necessitate changes in work, thought, and habits which are irksome ; while, during the period of transition, more or less of suffering has to be borne. We cannot have progress without improvement, nor improvement without change, nor change without displacement. Every scientific discovery, every improvement in labour-saving processes, every new and useful invention, every fresh application of machinery, every acceleration in the means of intercommunication between distant regions, every fresh conquest over the forces of nature,—each and every of these additions to man's creative and productive power is, on its primary introduction, a potent and immediate cause of temporary displacement of capital and labour.

And the same cause has been in operation from the earliest historical periods. When the plough was first invented and used, it threw out of work and displaced a multitude of

spade-diggers, who, no doubt, suffered severely until they found new employment for their labour. At whose door must this suffering be laid? The sufferers themselves were not in fault. The governing powers had nothing to do with it (unless it be contended that they ought to have prohibited ploughing, and thereby have "protected" the diggers). The fount and origin of the evil appears to have simply been that natural tendency to progressive improvement which is the very essence of civilisation, and every step in which is accompanied by the same phenomena.

All tools, on their first introduction, lead to similar results. The saw, when invented, displaced a number of working-men, who, before that, had been employed in laboriously cutting logs of wood into two by means of hatchets, knives, &c., or by the wasteful application of fire.

Later on, printing threw out of work—that is, displaced—thousands of men who previously earned their living by making manuscript copies of books. Poor old scribes! They, doubtless, considered their fate a very sad one, and as they could not see what or whom else to blame they must have spoken very hard words against the cunning German whose invention had spoiled their trade.

Between the years 1767 and 1790 the adoption in England of spinning and weaving machinery enabled a few hands to do the same quantity of work as had before necessitated the employment of a large number of workers with the spinning-wheel and the hand-loom. The immediate effect was the displacement of a vast body of wage-receivers. Ultimately (as in most similar cases) the working classes were largely benefited by these innovations, but for a time the sudden displacement of such multitudes caused enormous and wide-spread destitution and suffering. The victims, driven to despair, proceeded to attack some of the factories and destroyed many of the obnoxious machines. But physical force was impotent to arrest progress and had to make way for it. Indeed, new labour-saving inventions henceforth succeeded each other with greater rapidity than ever.

We have now given a few familiar instances (a very few out of very many) in olden times of the inseparable

connection between progress and the temporary displacement of labour and capital. Corresponding instances in recent times are so obvious, so infinite in number, and so extensive in their operation that they will occur to every mind. We need, therefore, do no more than simply allude to the displacement from their previous work of hundreds of thousands of wage-receivers through the adoption of steam and electricity, and of the machinery which they set in motion, as substitutes for human muscle and intelligence. Nature and nature's laws work while man looks on, or occupies himself in devising fresh modes of pressing nature into his service.

Indeed, scarcely a day passes in which some new adaptation of means to ends, tending to supersede human labour, is not discovered and brought into use in some department of production in some place or other. The main object and endeavour of every producer is to obtain the best and largest results by the smallest possible expenditure of labour and capital. Every such improvement must, at the time, diminish the quantity of human labour required to achieve those results, and therefore a larger or lesser number of workmen must be thrown out of employment, and the evils of displacement will, at least for a time, have to be endured.

It must be borne in mind that, although we have more particularly adverted to the displacement of labour, yet, in most cases, that displacement is closely accompanied by the displacement of capital. Indeed, in some instances, it is capital that relatively suffers the most. For example, when railways superseded stage coaches and stage waggons, the coachmen, guards, ostlers, and other wage-receivers who were thrown out of work speedily found fresh openings for their labour as railway porters, guards, pointsmen, &c., in those very institutions that had deprived them of their former employments. But what of the large capital that had been invested in coaches, horses, posting-inns, stabling, &c., &c.? These had become unserviceable, and had to be disposed of at an enormous sacrifice, and the capital which they represented was vastly reduced in value. In this case the displaced capital was worse off than the displaced labour.

Again, if a new discovery should enable a capitalist at

place A. to build a new cotton mill with such a novel arrangement of improved machinery that he can afford to undersell the old mill-owners making the same article at place B., the latter must, after a time, shut up their mills, and their hands will be thrown out of work. Most of these, however, will probably be soon taken on by the new mill at A., and thus they will only for a short time suffer the evils of displacement. But what of the owners of the old mills and of the costly machinery by which they were worked? These owners will be heavy and permanent losers. The best thing they can do, if they have sufficient capital left, is to sell their old machinery (perhaps at the price of old metal), and, though at enormous expense, replace it by the improved machinery with its novel arrangements used at mill A. Thus they may be able to cope with their competitor and get back a portion of their old trade. Here, again, the displaced capital is worse off than the displaced labour.

On the other hand, it must be remembered that the displaced workman, unless he has stored up a fund of savings to which he can resort during the transition period, must personally suffer greater inconvenience than the displaced capitalist, because the wants of the former are pressing and immediate, whereas the latter can, out of his own capital, provide for his actual necessities, and wait for some fresh opening. To the one, displacement means positive distress; to the other, at worst only comparative poverty.

Clearly, then, the evils of displacement are inevitable, even when the displacement is caused by improvements in the arts of production. How are they to be avoided? The most intrepid and consistent partisan of protection will hardly contend that because a group of producers C. have, by newly-discovered, or newly-invented, processes, succeeded in producing a given article at a cheaper rate than it could be produced by the old producers D., therefore, to prevent injury to the latter, the former should be prohibited from using their cheap processes, and the community should be debarred from the benefits these would confer. "Vive le roi quand même!" was the uncompromising cry of Louis XVIII.'s ultra partisans. Would "Perish new inventions, sooner than that they should, by their superior usefulness,

displace the old processes!" be the cry of the ultra-protectionists? Hardly, we think. And yet, the result of subjecting the old-fashioned producers to the competition of their more stirring and inventive rivals must necessarily be the discomfiture of the former, and the displacement of the labour and the capital employed by them.

Since all improvements in the practical application of labour and capital to productive work necessitate changes, and all changes necessitate displacement, the only way to protect old-fashioned producers from such displacement would be to shield them from competition by tabooing all improvements. But running away from competition because we feel unequal to face it, and flying to the shelter of protection, is not the way to brace our sinews for work or to sharpen our inventive faculties. To evade a difficulty is, no doubt, easier than to meet and surmount it; but there is this difference:—the difficulty that is evaded, remains; the difficulty that is surmounted, vanishes. Supposing that it were possible to stereotype for all time the existing state of society, and thus prevent all future changes either for the worse or for the better, who that had any faith in the perfectibility of man would desire such a consummation? The transitory evils of change would be eliminated at the price of losing all the permanent benefits of possible improvements. This would be an enormous price to pay for the privilege of perpetuating the present condition of mankind throughout the world—a condition which is acknowledged to be, to say the least, unsatisfactory. No; we must be content to progress onward, and to accept the inevitable consequences of progress; and, among these, the temporary and partial displacement of labour and capital.

CHAPTER II.

THE EFFECTS OF DISPLACEMENT AND THEIR DURATION.

BEFORE we proceed to discuss the nature and the probable extent or duration of the evils connected with displacement, we must, parenthetically, make a few remarks on that ill-understood and much-abused word "cheapness." By many people "cheap" and "low-priced" are considered to be synonymous terms. That this is an error is easily understood when we reflect that there is many a "low-priced" article which is by no means "cheap," and many a "cheap" article which is not "low-priced." Cheapness has reference to relative quality as well as to relative price. In comparing the cheapness of two wares, price alone is quite a fallacious standard; the intrinsic value of each is an equally important item of comparison. It is only in the case of both articles being of the same intrinsic value that the lower-priced article is the cheaper. It may be that the object for which you pay 6d. is really worth 7d., and that for which you pay 5d. is only worth 4d., in which case the former is decidedly the cheaper. All this may, at first glance, appear too obvious to need expounding; and yet this "obvious" confusion between the words "cheap" and "low-priced" is of constant occurrence in discussions whereof comparative prices form one of the topics. It specially underlies nearly everything that is written and spoken about the competition in neutral markets between English and foreign productions. If one of these two undersells the other, it will command the market. But if it be found that the lower-priced goods are inferior in quality to an extent beyond the difference in price, then they really will be, not the cheaper, but the dearer of the two; and whatever short-lived success may at first attend the deception, the really cheaper will, sooner or later, secure the preference of buyers.

Whenever, in these pages, we speak of new processes displacing old ones, through producing more cheaply, we always refer to that real cheapness which consists in giving equal values and quantities for less money, and not to that mock cheapness which merely means a lower price irrespective of quality.

The working men who may have become redundant through the substitution of new and improved methods of production for the old ones are, through no fault of theirs, bereft of their accustomed means of earning a livelihood and have to seek fresh fields for utilising their labour. In most cases it is not long before these fresh fields present themselves. The savings effected by cheapened production constitute an addition to the wealth of the community, and, as all wealth is ultimately expended in the payment of wages,* the demand for labour must be increased, not diminished, by the improvements which, for a time, displaced it. There will be a larger amount paid in wages in the aggregate, although it may no longer be paid to the same labourers or for the same kind of labour, and although the workers may have to transfer their labour to other employers, perhaps to other occupations.

In some cases the renewed and increased demand for labour and capital rapidly develops itself as a direct consequence of the labour-saving improvements themselves, and in the same branch of production. For, after a time, the buyers of the cheapened article will not only spend quite as much money in buying it as before but more, because a cheaper supply always begets a greater demand. Of this we will give two striking instances. Railways, in superseding stage-coaches, and cheapening the conveyance

* "Every farthing (of money) goes, directly or indirectly, immediately or mediately, to payments for labour; that is, to wages. Trace the course of a sum of money carefully and you will find that its eventual destination is the payment of wages. Supposing it placed on deposit in a bank: the bank may with it, perhaps, discount A.'s bill; A. may then with it pay his rent to B.; then B. may, perhaps, use it to pay his tailor; but ultimately after a few transfers it will, before long, find its way into the pocket of the labour-seller. It may, like a snow-flake, float a little while in the air, but finally it will drop and melt into wages."—"Wealth-Creation," by Aug. Mongredien, p. 32.

of passengers and goods, by no means lessened the aggregate amount which the public spent on travelling. Quite the contrary. Very soon an enormous increase took place in the general expenditure for travelling, and consequently in the amount of weekly wages paid for labour connected with it.

Again, the substitution of printing for the labours of the copyist, while it displaced the latter from his accustomed occupation, only for a very short time, and to a very small extent, affected the total amount expended on books. But as these became cheaper a marvellous increase took place in the demand for them and in the wage-paid labour connected with their production. Against the few hundred MS. volumes annually produced by the copyists of olden times there were, in the year 1880, 30,000,000 volumes printed and published in the following four countries collectively, viz., Great Britain, France, Germany, and the United States. Of these nearly one-half were produced in Germany.*

The time required for the adjustment of the displaced labour and capital to the new demand it is impossible accurately to define. It must naturally vary with the peculiar features of each separate case. It must depend on the extent of the displacement—on the proximity of the new to the old field of production—on the more or less ready adaptability of the old kind to the new kind of work—on the greater or lesser rapidity with which the new demand may set in, and a number of other indefinable circumstances. However this may be, it is undeniable that during the period of transition the displaced workmen will be exposed to privation and distress, and thus will temporarily suffer by changes which, to the rest of the world and eventually to themselves, must be productive of important benefits.

Before quitting the subject of the influence for good, or for evil, of improved methods of production on the condition of the wage-receivers, we beg leave to submit the following suggestive fact:—Labour-saving machinery is chiefly used in wealthy and prosperous countries. It is

* Mulhall, "Dictionary of Statistics."

in the poorest and most backward countries that labour is least interfered with by machinery. Free and progressive America, where labour is highly paid, is an example of the former; enslaved and stagnant Russia, where labour is "a drug," of the latter.

Thus it has, we think, been made pretty evident that the progress of civilisation—bringing, as it does, in its train a constant succession of scientific discoveries and of mechanical inventions—necessarily gives rise to frequent, though temporary, displacements of labour and capital. Whether that progress could be arrested, or whether, were it possible, it would be wise to arrest it, are questions on which there can hardly be two opinions.

CHAPTER III.

SECOND CAUSE OF DISPLACEMENT—CLIMATIC AND NATURAL AGENCIES. THIRD CAUSE—CHANGES IN TASTES AND FASHIONS.

2. ANOTHER cause of "displacement" is to be found in certain climatic and natural agencies which man's efforts can do but little either to avert or to resist. Among the principal of these we may name the irregularity and uncertainty of those atmospheric conditions which result in abundant or scanty harvests of cereals and other agricultural productions; earthquakes, volcanos, avalanches, &c., often destructive of men's accumulated labours, and throwing them back again on their own original resources; unexpected changes in the channels of rivers, diverting the course of trade away from old into new localities, and displacing the labour and capital which had been employed in the former; encroachments of the sea on the land; the silting up of harbours, thus turning busy seaports into stagnant inland towns; inundations which, in wide areas, engulf the fruits of man's previous labours; cyclones and tornadoes, which wildly sweep over sea and land, destroying ships, houses, crops, and all that comes within their range; plagues and epidemics among men and animals, &c., &c.

This is, indeed, a frightful list of the various modes in which the operations of nature interfere with the efforts of man to improve his condition. The labour and capital displaced by these irresistible natural agencies are compelled to recommence the work of production under fresh auspices, and, meanwhile, to undergo the hardships attendant on the period of transition.

Nor can man do much towards neutralising or counter-acting the injuries inflicted by the natural phenomena in question. As we advance in knowledge, and as science

achieves fresh triumphs, something may be done to make our crops less dependent on climatic influences ; to check the vagaries of the Mississippi and other bed-shifting rivers ; to maintain the depth and accessibility of harbours ; to preserve low lands from inundation ; and, generally, to alleviate evils which could not be averted. But these qualifying influences do not go very far ; and beyond these, human wisdom and foresight are, in a great measure, powerless. On the other hand, we must bear in mind that, of the natural causes which we have enumerated, the majority at present exercise their devastating influence over vast regions not yet, or only sparsely, tenanted by man ; and that, as the world becomes more uniformly and more densely populated, so will the habitations and works of man become more extensively exposed to their ravages. Where the destructive forces of nature now expend themselves on primeval forests, or on the barren wilderness, they will probably, at some future time, alight on human victims, and shatter into ruins peaceful villages, or, perchance, opulent cities.

At all events, the evils which flow from the class of causes of which we are treating cannot, for the most part, offer to the sufferers from them any grounds of complaint or accusation against their fellow-men. They can only be a matter of mutual condolence and sympathy. Men's own spontaneous acts—such as bad government, the jealousies and rivalries of false patriotism, wars, preparations for wars, hostile tariffs, and all the other sinister results of ignorance, envy, and rapacity—have quite enough of evils to answer for, without having attributed to them those which spring from sources for which they are not responsible.

3. A third cause of displacement of labour and capital arises out of those sudden changes in the habits, tastes, fashions, and requirements of consumers that are constantly taking place. There is hardly an article used by man, whether it be for dress or food, housing or furniture, ornament or amusement, that has not been subject, from time to time, to infinite changes in material, or shape, or construction, &c., and to the fluctuations in demand which such changes bring about. Each of these fluctuations brought additional trade to the producers of the new and favoured

article, but displaced the labour and capital to which the old article had given employment. The substance, texture, or form that were in vogue yesterday are to-day discarded and considered *rococo*, and the workers connected with them, being no longer wanted, are dismissed and displaced. Let us give an illustration.

Nine years ago the manufacturing town of B—— was floating on the full tide of prosperity. The capitalists were rapidly accumulating wealth, and the well-paid wage-receivers might, if they had chosen to save, have rapidly become capitalists themselves. All was progress and contentment.

Six years ago the prosperity of B—— had collapsed. An article for which B—— had been celebrated, and with which it had largely supplied the world, had dropped out of fashion, and was superseded by another article which was the staple production of another place. Hence displacement and “bad times” at B——, and great prosperity and rejoicing at the seat of the new manufacture.

Three years ago all was again changed. The shrewd and active men of B—— had hit the taste of the public by some new design or texture, and it became the fashion. The trade of the town brilliantly revived, and that of their competitors fell off; so potent is the influence of fashionable mutations on the operations of labour and capital.

Analogous instances of the disastrous effects produced by changes in the habits and tastes of consumers occur in great abundance. They are to be found in all places, in all times, and in a great diversity of objects. Two or three familiar instances will suffice.

For more than a century wigs superseded natural hair among nearly all classes of society, except the poorest. When the fashion changed, and men emancipated themselves from the yoke of the hairdresser, enormous was the displacement, and dire the distress, among barbers and perruquiers. These, with their assistants and journeymen, formed a numerous class, who were unused to, and unfit for, other forms of labour than their own, and had to endure great privations and sufferings before they could learn

another trade. In the "Antiquary," Sir W. Scott quaintly describes the terror of Caxon, the barber, lest his two be-wigged patrons should be drowned, when there would be "but ae wig left in the parish, and that the minister's." Caxon was only one out of many thousands of barbers and their journeymen, all over the civilised world, who were ruined by the monstrous innovation of men wearing their own hair instead of a heavy wig.

Metal buckles superseded shoe-strings in the reign of Charles II., and for a long time maintained their supremacy. From their manufacture, of which Birmingham was the centre, a large amount of capital and a vast number of working men for a long time reaped good profits and good wages. At last, however, the fashion changed; shoe-strings again became in vogue, and buckles were discarded. Hereupon ensued an enormous displacement of labour and capital in the Midland Counties. Thousands of workmen were thrown out of work, who, in their vague search for the persons or things on which to lay the blame of the disaster, clamorously petitioned Parliament to "protect" them against shoe-strings. But Parliament, not seeing how they could well force buckles upon unwilling feet and abolish shoe-strings, declined to interfere. So the buckle-makers were left to bear their sufferings as patiently, or impatiently, as they might, until, gradually, they became absorbed into other channels of production.

In 1702, Sir George Rooke, in his expedition to Vigo, captured some enormous quantity of snuff, which was sent to England and there sold. From that time the practice of snuff-taking rapidly increased in this country, until it became nearly universal among men, and pretty prevalent even among the fair sex. The writer, who was himself, when young, an inordinate snuff-taker, remembers that, between 1820 and 1830, there was scarcely a person who did not carry about him a well-filled snuff-box, out of which he civilly offered a pinch to all with whom he came into social contact. As a necessary consequence, the manufacture of snuff-boxes became a very important and extensive industry. The materials from which they were made were metal, more or less precious, *papier mâché*, and various kinds of

wood. Some small towns in Ayrshire * became quite famous and wealthy through the manufacture of wooden snuff-boxes with hinges so closely-fitting as to be nearly invisible. The lids of most snuff-boxes were adorned by devices and paintings of various degrees of merit (some of them in very bad taste), which furnished employment to hosts of designers and limners.

But, for the last fifty years, the use of tobacco for smoking purposes has largely superseded its use in the form of snuff, and snuff-boxes have disappeared with the advent of cigar-cases. In consequence of this change, the demand for snuff-boxes has fallen off to such an extent as to displace nearly all the capitalists and various artificers connected with their manufacture. The victims of this displacement had to endure all the evils attendant on it ; and that, through no fault of their own—through no overpowering competition in the same branch of trade—through no political or legislative blunder ; but simply through a change in the tastes and habits of the consumers, which, even if it could have been foreseen, nothing could have averted.

The few examples which we have quoted to illustrate the effect of changes in the fashions, tastes, and requirements of consumers are but types of thousands of similar causes of displacement which have taken place, are taking place, and will ever continue to take place. Our illustrations are taken from occurrences connected with English industries, but similar causes have produced, and are producing, similar effects in every country in the world, and our deductions apply to them all. Even the Chinese, of all civilised peoples the most inflexibly persistent in their old ways, are beginning to feel the contagious influence of that restless mobility, that whirl of change that characterises modern Western nations. Japan has already been drawn into the vortex, and is tasting the advantages and drawbacks of progressive civilisation. It is only the most barbarous and undeveloped races that are proof against change, and it is hence that they are incapable of progress. As to Governments controlling the caprices of fashion, or forcibly eradicating deep-rooted habits, we may

* Cumnock, Mauchline, Laurencekirk, &c.

look upon it as practically impossible. Rare and exceptional instances may have occurred of the process having been partially successful. Peter the Great did, by main force, compel his Russians to shave off their beards; but few potentates ever possessed the immense autocratic power and the fierce obdurate will of that extraordinary man, to whom it was only a pleasant titillation to be wheeled in a barrow right through John Evelyn's broad and dense holly hedge at Deptford.

All producers strive to attract buyers by some improvement or novelty in form, quality, colour, or material. Those who are most successful in hitting the fancy or meeting the requirements of the consumers displace the less active and intelligent who are content to "go on in the old way." Now, were it possible, would it be fair or expedient to "protect" the less active and intelligent, by levying a tax on the superior productions of their cleverer competitors, so that both might stand on the same level? Trades-unions have been blamed for ruling that the able and active workman shall only perform a certain limited quantity of work in a given time, so that he may enjoy no advantage over his lazy and incompetent mate whose power of production is much smaller. But if it be wrong thus to protect the weak, not by urging the weak up to the level of the strong, but by lowering the strong down to the level of the weak, then so are all protective measures wrong. For, whatever forms protection may assume, its tendency is in the above direction; it offers, at the cost of the general public, a premium to sloth and incapacity, and deals "heavy blows and great discouragement" to skill and inventiveness.

CHAPTER IV.

FOURTH CAUSE—CHANGES IN THE CHANNELS OF TRADE.

FIFTH CAUSE—GLUTS AND OVERPRODUCTION.

4. A FOURTH cause of displacement (of labour and capital) is to be found in the occasional transference of industrial or commercial enterprise from one locality to another. Various circumstances may render old commercial centres liable to be superseded by others more advantageously situated. The discovery and adoption of new and more convenient ocean routes, the advantages offered by the opening of new railways or canals, the colonisation of new and fertile regions, the tempting proximity of some new and unexplored source of mineral wealth, the migration of skilled artisans from a despotic to a freer country, the chance settlement of special industries in congenial spots, these and other similar incidents exercise considerable influence in attracting labour and capital to one place and displacing them from another.

For instance, in some American wilderness a mine, which for a few years had afforded good profits and wages to the labour and capital which had been freely attracted to the favoured locality, has become exhausted and worked out. The miners, finding their occupation gone, fly to seek fresh fields for their enterprise. Along with them also depart the motley population that had clustered round them to minister to their wants and participate in their gains. As, however, some such ending had been expected sooner or later to occur, all parties were more or less prepared for it, and the evils usually attendant on displacement were only slightly felt. Energetic, buoyant, self-reliant, and accustomed to a roving life, these adventurers set out "with a light heart" to seek their fortunes elsewhere. Examples of this form of displacement are not very rare in some parts of the United States of America. It is not unusual for the traveller in the

Western States to come upon the ruins of a "mining city," which had for a few years flourished exceedingly as the suddenly improvised metropolis of a district suddenly enriched by mining. When, however, the mine "gave out," and mining ceased to pay, away went the population of the "city"! It became deserted, not only by the miners, but by their attendant tradesmen, store-keepers, saloon proprietors, newspaper printers, &c., &c. And now the houses and stores hastily run up to serve temporary purposes, fall into rapid decay, and the whole place presents the appearance of ruin and desolation, soon to vanish from sight altogether. Meanwhile, in another, and perhaps adjacent, region a new and rich mine is discovered and quickly becomes the nucleus of a numerous community. Another flourishing "mining city" starts into existence, destined, after a short and feverish career, to collapse in its turn, and yield back its site to the solemn silence and solitude which had reigned there for countless ages before.

But displacement on a far larger scale, though less sudden in its operation, has arisen from changes in the channels through which flow the main streams of the world's commerce. The general course of trade was wonderfully disturbed and unsettled by Vasco de Gama's discovery in 1497 that India was accessible to Europe by doubling the Cape of Good Hope. Before that time Venice, Genoa, and the other seaports of the Mediterranean were the chief marts through which the products of Asia were distributed to the various countries of Europe. But now direct communication by sea between the two continents became possible and was soon generally adopted. Water-carriage being infinitely cheaper than land-carriage, the commodities conveyed by sea so thoroughly undersold those which came by the shorter, but far more expensive, overland route to the shores of the Mediterranean, that the latter were, to a considerable extent, driven out of the market. As a necessary consequence of this great change, and through circumstances beyond human control, the labour and capital which had, for many centuries, found profitable employment in connection with the old route, were now displaced and deprived of their earnings. The traffic which had enriched the Saracens

and Italians was transferred to the English, Dutch, and Portuguese, and instead of percolating through the cities of the former was carried on in the ships of the three latter nations.

Recently there has been a partial, but only slight, reaction towards the ancient system, through the successful labours of a great Frenchman, Monsieur de Lesseps, in uniting the Mediterranean and Red seas by means of the Suez Canal. But, while this improvement has abridged the voyage, it has not changed the course of the trade, nor the nationality of the traders; and it has diminished the cost of conveyance without occasioning any large amount of displacement.

Analogous effects will be produced whenever new and more commodious routes for the conveyance of men and merchandise shall be opened; such, for instance, as the Panama Canal, now under construction, or the transit from Europe to Japan across Canada. There is no limit to the possible devices of man to clip the wings of time and space. On a small scale, changes are constantly being made by new canals and railroads, which have the effect of attracting trade to one district and diverting it from another.

But it is not only in active, wealthy, and energetic countries that displacement is occasioned by changes in the channels of commerce. Even slow and quiescent China furnishes instances of them. A few years ago a writer thus described the town of Tientsin:—"This was formerly a place of much opulence and trade, but it now bears a very decaying and impoverished aspect. It depended mainly on the trade carried on between Peking and the other parts of the empire by the Great Canal, and has declined in prosperity since the inundation of the Yellow river has broken the banks of the canal, and forced this trade into other channels." We believe, however, that fresh changes have since occurred, tending to restore the prosperity of a town so admirably situated for the purposes of trade.

The saving in time and expense effected by the adoption of the shortest and least costly routes, while it materially promotes the creation of wealth, must of necessity bring about some displacement of labour and capital, and cause temporary suffering to a certain number of those who

benefited under the old system. But who can, or what can, preclude events from assuming the direction into which they are irresistibly guided by the force of circumstances? If the evils of displacement ensue from the adoption of newer and better methods, is not the fault rather due to the earlier generation who chose the wrong course, than to the latter who rectified it? The old saying, "Let well alone," correctly interpreted, generally means, "Let bad alone."

5. Another prolific and everacting cause of fluctuations in trade, and, therefore, of the displacement of labour and capital which accompany them, is the too frequent occurrence of what is termed "gluts;" that is, the overproduction of certain commodities as compared with the demand for them. It may, perhaps, be urged that this cause of displacement is not one of those which it is "beyond human control" to obviate or prevent, because, if producers were accurately to gauge the probable extent of the demand for their productions, they could accurately adapt the supply to it, and thus avoid the evils of overproduction. The reply is obvious: the supposition implies an impossibility. It is quite beyond human ken accurately to measure the extent of the impending demand for any particular commodity. To do this, omniscience would be required. It is for the prospective, not for the actually existing, demand that a producer has chiefly to provide. Not only he, but also the exporting merchant and the wholesale dealer have to provide stocks from which to make their sales, and in but few cases sell before production, unless it be special goods to special patterns or models.

Our warehouses and shops overflow with goods that have been produced before being sold, and with a view to their being sold. They have been produced to meet the prospective demand, and to measure that accurately is not in the power of the most able and prudent man. Should such a man try to solve the problem, he will naturally estimate the extent of such prospective demand by the experience of former years, and by a review of the fresh events and special circumstances which may, in his opinion, tend to modify the average demand of previous seasons. And yet, such estimate, however carefully framed, may prove to

be utterly erroneous. A hundred adverse and unforeseen circumstances may occur to upset our trader's clever calculations—an exceptionally good or bad cereal harvest—a failure in the supply of some raw material—war, or the menace of war—tightness and dearness of money—bad trade or commercial failures in the market he chiefly deals with—rivals selling at a loss—any sudden alteration in foreign tariffs—these and many other contingencies, over which he has no control, may unexpectedly curtail the outlets for his goods, and he will thus, in the most innocent way, become guilty of overproduction.

Beside the impossibility which we have just shown of always keeping an even balance between supply and demand, so that there should be neither overproduction nor underproduction, there are particular times and conjunctures when a strong artificial stimulus is given to production; whereupon gluts ensue, more considerable in extent, affecting a larger number of articles, and of greater intensity and duration than under ordinary circumstances. We are referring to those occasional periods of speculative excitement, and consequent inflation of prices, under the intoxicating influence of which producers, finding ready and profitable vent for all they can produce, press forward, and lose sight of there being limits to prospective demand. To them, in that frame of mind, the multiplication of goods is synonymous with the multiplication of profits. There is a rush for capital and labour to build more factories, construct more ships, open up new mines, set up new machinery, embark in new undertakings, and generally to organise the means for future production on a scale far beyond all possible requirements. With the reaction which soon infallibly ensues, the overproduction becomes apparent, the capital invested in the new factories, ships, mines, &c., not only yields no return, but is mostly wasted, while the labour which it had enlisted in its service loses its occupation, and is displaced to seek fresh fields for employment.

All gluts, whatever be their origin, produce, in a greater or lesser degree, the same results. If a producer finds that he has on hand a large stock of goods which he cannot sell, or can only sell at losing prices, he either ceases to produce, or,

if he continues to produce on a diminished scale, he has to lower the rate of wages and employ fewer men. Thus, while he is stinted in his profits, the labour-sellers are stinted in their pay; and both will continue to suffer until the disturbed balance between supply and demand shall be re-adjusted.

It must be borne in mind that a "glut" is a very different thing from an universal increase in the productive powers of man. Such an increase refers to all commodities generally, while a glut refers to the special increase of only a few of them. On this subject we may quote what the present writer has said in a former work of his ("Wealth-Creation," p. 7):—"There cannot possibly be a general 'glut' of all commodities. A 'glut' is simply the overproduction of one or more, as compared with all other articles; or, which is the same thing, it is the underprotection of other articles as compared with the one or more which are in excess. The moment the balance is restored, the glut ceases. As long as all commodities are produced in that proportion to each other which is indicated by the relative demand for them, there can be no glut. If you preserve that proportion, you may double, or decuple, or centuple the results of the same labour and capital, and there still can be no glut. Every article, however abundantly produced, is counter-balanced by, and is interchangeable with, a similarly abundant production of other articles; and the result is not a glut, but a general abundance of all articles."

If it be impossible to foresee and avert gluts, how far is it possible to find some rapid cure for them? To devise and apply such a remedy it would be necessary for every producer, everywhere, to ascertain the exact progress of production, at any moment, all the world over, so that each producer might, with prudent self-denial, check or accelerate his own production in accordance therewith. But this presupposes an amount of information and the exercise of a degree of self-control which we can hardly venture to expect. The only practical mode of alleviating the evil effects of gluts is by the adoption of free commercial intercourse and thereby of international division of labour, which would diminish their frequency and abridge their duration. In

relation to this topic, we beg to give the following extract from the work which we have already quoted :—

“With perfect freedom of commerce, in case of an over-supply of some commodities in some countries and of other commodities in other countries, the balance would soon and easily be redressed by the interchange of the respective superfluous productions. The whole world would be open to facilitate and equalise their distribution. Innumerable markets would present themselves to receive the commodities overproduced, or to fill up the vacuum of undersupply. The inequalities between supply and demand would be far less perceptible when spread over so vast an area ; just as the undersupply or oversupply of rain that makes the mountain stream either a dry ravine or a devastating torrent, produces but little effect on a broad lake.” *

* “Wealth-Creation,” by A. Mongredien, p. 242. Cassell & Co., 1882.

CHAPTER V.

SIXTH CAUSE—THE DIMINISHED PROSPERITY OF OTHER NATIONS. SEVENTH CAUSE—THE RISE IN THE VALUE OF GOLD.

6. AGAIN, as a sixth cause, the decay or diminished prosperity of other nations of the world must necessarily reduce the amount of our interchanges with them, and to that extent must displace some of the labour and capital employed in ministering to those interchanges. If one of the countries with which we have commercial relations becomes impoverished, there will be a falling-off in her imports. The industries which supplied the goods which that country imported to a certain extent formerly, and now imports to a diminished extent, must experience a proportionate decrease in the demand for their productions. As a consequence, labour becomes redundant, wages are lowered, and workmen are thrown out of work. It is only an illustration of the obvious truth, “the poorer our customers, the smaller our trade.”

The human race has for so long a time split itself up into clans, or septs, or tribes, calling themselves nations—each having a separate government that hates, or fears, or envies the rest—that men seem to have forgotten their common origin, their common wants, and their common interests, and have come to consider it a law of nature that human beings living in one locality should look upon those residing in another locality as rivals, opponents, and enemies. This practice sprang up among men in a state of savagery, and, unfortunately, still prevails among men in a state of civilisation. Even when at peace, and when no murderous war is being waged, there is enmity between nations in the shape of jealousies, costly preparations for war, diplomatic disputes, hostile tariffs, &c.

It is out of this unholy strife that is bred that false and wicked axiom which pseudo-patriotism so eagerly promulgates, viz. : that the prosperity of other countries is injurious

to that of our own. This saying could only be true in the very extreme and exceptional case of a death-struggle between two countries, when the supremacy of one combatant would be fatal to the other. In the ordinary run of peaceful commercial intercourse the direct contrary is the truth. The more wealthy and industrious those nations are with whom we and the rest of the world have commercial dealings, the more numerous and mutually profitable will those dealings prove; and any check given to the productive power of one of the trading countries will be adversely felt by the rest.

Some feeble survivor of an effete party may perhaps urge that what we say would be true were it not for the protective tariffs of other Governments, that shut out English goods. But these tariffs do not shut out English goods. A very large proportion of our total exports are taken by these very protective countries. As to the protective duties themselves, they do, indeed, constitute a heavy tax, but that tax is paid, not by us, but by the protected (!) consumers of the protective countries. From any point of view, it is undeniable that if our customers, protective or non-protective, became poorer and less able to exchange goods with goods, fewer dealings and less trade would be the result. Indeed, if foreign nations were all to be reduced to a state of poverty and indolence, our foreign trade would dwindle into comparative insignificance, and become the mere shadow of what it now is. On the other hand, the more foreign nations produce, the more they will have to export, and therefore the more they will (whatever their protective import duties may be) have to import. With a wealthy and prosperous outer world, our commercial operations will be large and profitable; with a poverty-stricken outer world, our dealings must of necessity be scanty and sterile.

We are, therefore, justified in regarding the decay, or the diminished prosperity, of other nations as one of the causes that must curtail the amount of interchanges between them and us, thereby occasioning more or less of that dislocation and displacement of labour and capital from which so many evils flow.

7. The seventh cause of the displacement of labour and capital, and the last which we shall here adduce, is the rise in the value of gold. We shall not stay to consider how far, if at all, this rise is due to the diminished rate of gold-production, or how far it is due to the constantly increasing volume of commodities which it is the duty of gold to represent. Nor shall we here inquire whether it would be wise or practicable to appoint some other metal as a colleague to gold, to assist it in performing its functions; for that would launch us on to that shoreless ocean of debate—the bi-metallic question. Sufficient for our purpose is the fact that, from causes mostly independent of man's instrumentality, gold has risen, and is still rising, in value. It is our business to inquire in what way the interests of labour and capital are affected by that circumstance.

That a continuous rise in the value of gold (conveniently, perhaps, but not either logically or etymologically, termed its "appreciation") is tantamount to a continuous fall in the prices of all other commodities, is so obvious, that the mere statement is sufficient. But experience teaches us that a continuous fall in prices is almost always injurious, for the time, to the producers and distributors of commodities. While prices are falling, commercial operations, as a rule, result in loss. "During the transition from high to low values, a purchase made one week is dear the next. At whatever price a merchant may buy an article, he will, in a falling market, be undersold in a few days, or, at all events, before he can get quit of his merchandise. Under these circumstances, he naturally curtails his operations, and buys less from the manufacturer." The contagion of depression spreads, and the policy generally adopted is to buy less, to produce less, and to work stocks down to the lowest point. Displacement ensues, with its usual accompaniments, viz., less employment and lower wages for labour, and inactivity and low interest for capital.

Were the fall in prices to be permanently arrested at some point, so that then prices, however low, became steady, and the relations between goods and gold became and remained tolerably constant, then, whether a greater or a lesser quantity of coin were in circulation to represent

commodities and facilitate their interchange, would be, but for one exceptional circumstance, a matter of little or no importance to the world, for the interchangeable value of all other commodities would not be affected thereby, nor would their relations to each other be altered. The "exceptional circumstance" alluded to is—the existence of national debts and of international interest-bearing loans. The annual interest which the English taxpayers have to pay to the English fundholders, and the annual interest which foreign borrowers have to pay to English and other lenders on loans, either to various Governments, or to town corporations, railway companies, &c., &c., is payable in a fixed amount of hard money. Now, when gold rises in value, and commodities fall in price, then, although the lender receives for his dividends only the same nominal amount of gold as before, yet that amount will represent a far greater volume of commodities than it did in former times, and, probably, a far greater volume than was contemplated when the loan was made. In the same proportion that the lender will, through no merit of his, be benefited, will the borrower, through no fault of his, be damnified. A lender might, at the time he subscribed his share of the loan, become entitled to an amount of annual interest equivalent, then, to 100 quarters of wheat; but, after the lapse of a few years, that same amount of annual interest may, owing to the general fall in prices, have become the equivalent of 200 quarters of wheat; and this "unearned increment" comes out of the pockets of the borrowers or their representatives.

The effect, then, of dearer gold and cheaper commodities is to increase the purchasing power of fixed incomes and proportionately to increase the burdens of the taxpayers. This process absorbs capital from one class of the community and transfers it to another; and to the same extent that it occasions such displacement of capital, it also, as a consequence, occasions the displacement of labour. The nominal amount of taxation raised in the country may remain the same, but, in consequence of the lowness of prices, this same nominal amount means a larger quantity of commodities—that is, of real wealth. This larger quantity thus passes away from the taxpayer, who would probably have

spent it on reproductive labour, into the hands of the income-receiver, who probably spends it on luxuries. In this way not only the capital, but the labour which that capital employed, becomes displaced, and proportionate loss and suffering ensue. It may be that the evil is but small in each individual case, but when we consider that the cause of it is in operation, not in one place only, but everywhere, and not at one period only, but during the entire continuance of the fall of prices, we can understand that the loss and suffering become, in the aggregate, very wide-spread and severe.

While considering the effect of lower prices in increasing the relative burdens of the British taxpayer we must not, on the other hand, omit to consider their effect in proportionately increasing the amount (measured in commodities) which England has yearly to receive from her numerous foreign debtors. Taking the position of England from this point of view we find that the enhancement of the incomes (measured in commodities) of the British fundholder is far exceeded by the enhancement of the incomes (similarly measured) which the British holders of foreign stocks, bonds, debentures, &c., &c., have yearly to receive from those investments—they being payable in hard money which the fall in prices has endowed with greatly-enlarged purchasing power. At the present time foreign nations have to remit to England annually, at least £60,000,000 for interest, dividends, &c., and this amount is sent to us in the shape of commodities. Now, whenever prices fall, the volume of goods which our debtors have yearly to send us to meet their indebtedness must necessarily be greater in proportion to that fall. Supposing that, within a given period, prices should have fallen 50 per cent., England will, at the end of that period, have to receive from the foreign debtors, in payments of interest, &c., twice the volume of commodities that she received at the commencement of the same period.

It may, perhaps, be thought that an average fall in prices of 50 per cent. is hardly within the range of probability. But we believe that it is. In an able paper by Mr. A. Sauerbeck, in the September number (1886) of the *Statistical Journal*, the course of average prices of general commodities in England for many years past has been mapped out with

exceeding care. He shows that prices are now (1886) 30 per cent. lower than the average of the years 1867 to 1877; and 36 per cent. lower than that of the year 1873. Since the latter year the drop has been almost continuous; and, if prices went on sliding in the same direction, the fall of 50 per cent. would soon be reached.

CHAPTER VI.

CONCLUSION.

WE have now enumerated and examined by no means all, but the most powerful, of those causes of displacement which are, in a great measure, beyond the control of man. But forcible as these are, and frequent as is their interposition, their operation for evil is but weak compared with that of causes which depend for their existence and potency on man's action or inaction, on what he does, or on what he might but fails to do. The power of man to injure his fellow-man is almost unlimited, and on a large scale is the more freely exercised, as the act frequently goes under the name of patriotism, public spirit, glory, greatness, &c. ; and not under the truer names of ambition, love of power, avarice, and egotism. If man's state on earth be anything but blissful, it is far more owing to his own acts than to the acts of nature. Dr. Johnson has said :—

“ How small, of all that human hearts endure,
The part that kings or laws can cause or cure ! ” *

Dr. Johnson, no doubt, had in view those various private feelings and personal emotions which arise out of our affections and passions, or are connected with our more or less healthy physical and moral condition. Had he taken a wider range and reflected on the evil effects on man's well-being of political and social blunders and shortcomings, he would probably have made the verse run thus :—

“ How *large*, of all that human hearts endure,
The part that kings or laws can cause or cure ! ”

The very fact that a certain class of evil-bearing influences

* These verses form part of Goldsmith's poem of “ The Traveller,” but they were written and contributed to it by Dr. Johnson. See Boswell, *sub anno* 1766.

are beyond our control should make us the more anxious to correct those that are within it; and the power of distinguishing between them should serve to divert our attention from the irremediable class, and enable us to concentrate it on that class which it is in our power to repress or counteract.

A. MONGREDIEN.

*Forest Hill, S.E.,
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