

OVERPRODUCTION is defined by the majority report of the English Commission on the Depression of Trade and Industry, as "the production of commodities, or even the existence of a capacity for production, at a time when the demand is not sufficiently brisk to maintain a remunerative price to the producer." The report affirms that "such an overproduction has been one of the prominent features of the course of trade during recent years, and that the depression under which we are now suffering may be partially explained by this fact." The minority report lays still more emphasis upon "systematic overproduction," and says that "the demand for commodities does not increase at the same rate as formerly, and that our capacity for production is consequently in excess of our home and export demand, and could, moreover, be considerably increased, at short notice, by the fuller employment of labor and appliances now partially idle." Similarly says Mr. Carroll D. Wright in his *Report on Industrial Depressions* (Washington, 1886, p. 89): "So far as the factories and the operatives of the countries concerned are to be taken into consideration (England, the United States, France, Belgium, Germany), there does exist a positive and emphatic overproduction, and the overproduction could not exist without the introduction of power machinery at a rate greater than the consuming power of the nations involved and of those dependent upon them demands; in other words, the overproduction of power machinery logically results in the overproduction of goods made with the aid of such machinery, and this represents the condition of those countries dependent largely upon mechanical industries for their prosperity." Mr. Edward Atkinson, in numerous essays, and Mr. David A. Wells, in his *Recent Economic Changes*, argue the same way.

In Europe Lord Playfair, writing in 1888, adduces for this position the authority of Dr. A. von Studnitz, Piermez, Jules Duckerts, Laveleye, Trassenster, Annecke and Engel. Mr. Wells finds the asserted excess of production due to three prime causes: First, increased capacity of production; second, improved methods of distribution; third, the opening up of new abundant supplies of raw material. (For details on these points see articles MACHINERY AND COMMERCE.) Mr. Hobson (*The Evolution of Modern Capitalism*, p. 173) shows that the rise of productiveness in machinery in England, between 1850 and 1885, may be roughly estimated at 40 per cent., while Mr. Wright, in the above mentioned report, shows that in the United States, between 1866 and 1886, the gain of machinery—taking the aggregate, as measured by "the displacement of muscular labor," was more than one-third, while in some trades, the improvement of mechanical productiveness for labor was from 50 to 300 per cent. Commerce has made even greater gains. A ton of wheat can now be hauled by sea at less than a farthing per mile. The opening of the Suez canal is said to have destroyed a tonnage of two millions. Raw material can be delivered in bulk in England at only a trifle more than the cost

of its production in its far-away home. All this has enormously increased the capabilities of production. The amount of overproduction must, as Mr. Hobson has pointed out in his *Evolution of Modern Capitalism*, by no means be measured by the amount of goods actually produced for which there are no buyers; this is but a small portion of the evil. A far greater evil is that the factories are often able to produce in a short while far more than there is any hope of selling, and so they stop work. This produces not only a glut upon the market, but shuts down factories, workshops, mines, railway enterprises, etc.

The circle of our production is thus stated by Hobson (*idem*, p. 179): "Improved machinery of manufacture and transport enables larger and larger quantities of raw material to pass more quickly and more cheaply through the several processes of production. Consumers do not, in fact, increase their consumption as quickly and to an equal extent. Hence the outward flow of productive goods is checked in one or more of the manufacturing stages, or in the hands of the merchant, or even in the retail shops. This congestion of the channels of production automatically checks production, depriving of all use a large quantity of the machinery and a large quantity of labor. The general fall of money income which has necessarily followed from a fall of prices, uncompensated by a corresponding expansion of sales, induces a shrinkage of consumption. Under depressed trade, while the markets continue to be glutted with unsold goods, only so much current production is maintained as will correspond to the shrunk consumption of the depressed community. Before the turn in the commercial tide, current production even falls below the level of current consumption of the glut of goods which had congested the machine. After the congestion which had kept prices low is removed, prices begin to rise, demand is more active at each point of industry, and we see the usual symptoms of reviving trade."

Thus analyzing the cycle, Mr. Hobson argues that the root evil is *under-consumption* rather than overproduction, a thought which we shall revert to later. Here we notice that English economists have largely denied the possibility of a *general* condition of overproduction. They have argued that every one who produces creates a corresponding power to consume. Producers may produce the wrong kinds of goods—goods for which there is no market—so that in certain trades or lines of goods there may be a trade overproduction, but the mere fact of production creates with it the ability to consume, so that the total production cannot be more than the total ability to consume. This argument Hobson quotes from Adam Smith, McCulloch, and J. B. Say, but it is a superficial view. Hobson says: "The fallacy involved in the supposition that oversupply is impossible, consists in assuming that the power to consume and the desire to consume necessarily coexist in the same persons." He instances the case of a glut of cotton goods, due to improved cotton machinery. The spinners and manufacturers have the desire to consume; that is, to exchange these goods for commodities; but the ill-clad of Russia, East London, and even Manchester, who desire the cotton goods, have no money nor anything else which the manufacturers want, and so the manufacturers cannot sell to them. But the manufacturers can sell, it is said, to those who perhaps do desire the labor of the ill-clad; so they sell the cotton goods to mer-

chants and buy what they want, while the ill-clad work for those who want their labor, and with their wages buy the cotton goods. Thus a roundabout exchange of goods arises, and Hobson says "this answer is valid on the assumption that the Lancashire producers desire to consume an equivalent of the goods they produce." But let us suppose, Hobson argues, that they do not desire to so consume. Suppose they desire not to consume so much, but to save or invest in more means of production, more mills, more means of transportation, etc. Then we have a production not balanced by an equal amount of consumption, and so there may be an overproduction. It is true that they may desire to produce more in order to consume more *eventually*, or to have their children consume more; still, *temporarily*, they do not consume as much as they produce, and so there is a cycle or season of overproduction which may occur in enough trades to be general. Hence Hobson argues that there may be too much saving; that all would be well if men would consume more—consume as much as they produce. Hence he maintains that the real trouble is not overproduction, but under-consumption; that a too sudden development of railroad-building, factory-building, etc., stimulates the market for a while, but leads to a temporary overproduction, which should have been avoided by more immediate consumption and less investment.

Socialists, however, find this analysis of Hobson's but partial. Why do not the ill-clad in Russia and London buy cotton goods? Because they have no money? Why do they not work and earn money? Some of them can find no work; others of them are too shiftless or too undisciplined to be willing to do work which is in demand. But why are they shiftless? Why have they so little energy? Very largely, socialists say, because of their environment, and still more largely because of their early environment. (See POVERTY, CAUSES OF). How can good environment be obtained? By self-effort, say some. But this is making the end develop the means. The question is, how to produce self-effort. You must have somewhat of good environment to produce self-effort. By wise charity, say others: model dwellings, penny savings banks, etc. But charity, even Associated Charity, (*q. v.*), admits by its leaders to-day that it cannot meet the whole problem. It takes the united action of society to reach the problem. Cities, municipalities, in spite of theorists, are more and more being driven to care for the helpless and the shiftless. But the cities cannot employ the unemployed, it is said, without such taxation as will crush the activities of those who are energetic and have self-help. Then let the municipalities themselves produce; themselves conduct natural monopolies; themselves become producers, in a word; and the municipality can consume (that is, spend) every dollar it produces, by employing men and women in productive work; that is, work that shall produce commodities, healthy homes, parks, art galleries, etc. These commodities, parks, art galleries, will not be themselves commercially productive, but be productive of

better life. Thus the shiftless and unemployed (for whatever reason they be unemployed) may be given opportunity or be compelled to work, and thus be able to consume more; a state which will in part, at least, equalize consumption with production. Therefore, even under the wage system, socialists maintain that more social production can aid distribution and so aid consumption; while, if universal cooperation ever replace the wage system, and the functions of the capitalist and the worker be not divided between two classes, but be united in the same class, then there will be little if any overproduction, and certainly no general overproduction, since when all men shall receive their share of what they produce, and one class shall not receive large profits and another scarcely a livelihood, all will have approximately equal ability to consume, and the wants of humanity can, as a whole, be not limited. It may even then be possible to produce more shoes than humanity can wear, but not for long. Hours can be limited and production so lessened; and at least there will not be the horrors that to-day accompany what is called overproduction, and which so excite the wrath of socialists—an "overproduction" of shoes, when millions are going shoeless; an overproduction of "corn," when thousands die of starvation; an "overproduction" of commodities which, sometimes, even the very "hands" that have helped make them, bitterly long for, but cannot buy. Socialists are never weary of picturing the piano-makers, who have no piano in their homes; the carpet-weavers, who return to bare floors; the garment-workers, who live in all but nakedness. It is little wonder the term "overproduction" seems to them a mockery and a lie. Neither *overproduction*, nor *under-consumption*, is to them the root evil, but unequal distribution.

References: Hobson's *Evolution of Modern Capitalism*; Lalor's *Cyclopedia of Political Sciences*: Article *Overproduction*, by A. T. Hadley; Carroll D. Wright's *Report on Industrial Depressions (First Annual Report of Commissioner of Labor, 1886)*; D. A. Wells' *Recent Economic Changes*, chap. iii.; J. S. Mill's *Political Economy*, book iii. chap. xiv.

OVERTIME is the time that employees work beyond the customary or legal hours. The practise of working overtime exists, particularly in England, in almost all trades to some degree, and in some trades is almost universal and carried to a large extent. When firms, as in the engineering, printing, or dress-making trades, have orders that must be filled speedily, they often seem all but compelled to work their employees overtime. And often employees are glad to do so—though whether wisely or not we shall in a moment consider—first, because they are glad to work more and so earn more, and, secondly, because most firms (though not all) pay at higher rates for overtime than for work in ordinary hours. The law, too, usually allows overtime in certain trades for certain reasons, provided that the employees are paid for it. We shall see that even this paid overtime is a questionable advantage and a questionable necessity; but in some trades over-