

THE MARGIN OF PROFITS.



THE true income of the people of the United States consists of the products of its fields, forests, factories, workshops, and mines; these several products are exchanged, and in the process of exchange they are, of necessity, measured in terms of money. The larger part of these products is consumed in the process of production; the smaller remainder is saved and is converted into capital. In the course of this process of production, consumption, and reproduction, the fibers, food, fabrics, and metals are subdivided into shares; and these shares, when converted into terms of money, have been named, respectively, rents and profits (which merge into each other), wages or earnings, and national or municipal taxes.

The practical question which now calls for close analysis is this: *What is the actual margin of profits?* In other words, are capital and capitalists securing to their own use such an undue share of the joint product of labor and capital as to render a change in existing methods of distribution either necessary or expedient?

In any discussion of the subdivision of the national income into the respective shares of rents or profits, wages or earnings, and national or municipal taxes, it is important to separate profits into two classes, which may be distinguished in popular language as

1st. The profits of productive industry, or those which are derived from the use of that capital which has been already invested for productive purposes; and

2d. The profits which are derived from speculation, or from dealing in something which has already become capital, and which is dealt in as such.

For example, in order that a factory of any kind may be established, an investment of capital is required in buildings and machinery. The factory is completed; labor is then employed in it; the result is a product of some kind, which is the joint product of the capital in the factory and of the labor employed therein, from the sale of which both profits and wages must be derived, or else the industry will cease. But the factory itself may belong to a corporation whose stock is divided into shares, and there may then be a distinct profit in buying and selling these shares, or,

in common speech, in *speculating* in the stock of the factory.

It will be observed that there are not only two, but three distinct sources of possible profit in connection with this factory: 1st, a possible profit may be derived from dealing with the capital, either as a whole or when it is divided in shares in a corporation; 2d, a profit may be derived from the production of goods in the factory; 3d, a profit may be derived from dealing in the goods after the owners of the factory have sold them.

In respect to the profit which is derived from the manufacture of the goods in the factory, the workmen may be said to have a joint interest with the capitalist.

Let it be assumed that in such a factory one thousand dollars' worth of capital is required to be invested in the building, machinery, and stock in process for each workman employed therein, and that the joint product of the capital in the factory and of the labor employed therein will be worth in the market each year one thousand dollars. This is about the present average ratio of capital to product in a cotton factory making medium goods.

Let it be assumed that the materials which are to be used, and the other elements of cost, aside from wages, will come to six hundred dollars. There will then remain four hundred dollars, derived from the sale of the product, to be divided in the form of profits and wages.

At the present time any safe business will attract all the capital required in it, which will yield six per cent. net profit, and also four per cent. for such a sinking fund or reserve as is necessary for the repairs and maintenance of the capital, or for the purchase of new and improved machinery as fast as invention may destroy the value of the old. Any such safe industry will surely be taken up in this eastern part of the country, and the investment of the necessary capital will be made as fast as a market can be found for the sale of the goods.

This would call for sixty dollars a year to be set aside as profits out of the four hundred assigned to profits and wages; four per cent., or forty dollars, as the sinking fund necessary for the maintenance of capital in an effective condition; and there would remain above the cost of materials and other prior charges, three hundred dollars to be paid as wages to the operatives in the factory, which sum would be substantially the wages of a good adult female weaver at the present time.

In such a case capital would secure sixty dollars net income, and labor would secure three hundred dollars wages, or five to one. This is an extreme case. In most branches of manufacturing industry the ratio of capital to the value of the product is only one dollar's worth of capital to two dollars' worth of product in a year.

At this latter ratio of one thousand dollars' worth of capital to two thousand dollars' worth of product, the income of capital at six per cent. would be sixty dollars as before, the reserve forty dollars, and there would remain nineteen hundred dollars for the cost of materials and the wages of labor. In most cases labor secures nine or ten parts to one part secured by capital.

There are, of course, other subdivisions to be made of the sum received from the sale of goods besides cost of materials, wages, and profits. Taxes, insurance, and the cost of disposing of the product must be provided for out of the market price or gross value of the goods made; but, for the purpose of this consideration, the subdivision of the sale of the goods under the head of, 1st, cost of materials, insurance, taxes, and general expenses combined; 2d, sinking fund, or reserve for repairs and maintenance of capital; 3d, profits, and 4th, wages, will serve to make the distinction clear in respect to what is the margin of profit upon production.

It will be observed that both profits and wages alike depend upon the price at which the goods can be sold; this price is determined in the open market, and cannot be controlled either by the owner of the mill or by the workmen who are employed in it.

This factor, the price of the goods, is therefore what makes or determines the rate of wages as well as the rate of profits; but the wages must be paid, even if there is sometimes no profit, unless the work ceases wholly.

So much for the profits of productive industry. Now, on the other hand, there may be a profit to persons who deal in the stock in this factory. The price of the shares will fluctuate, and he who buys judiciously on a falling market and sells promptly on a rising market may make a profit; but this so-called speculative profit will have no direct relation to the profit made in the production of the goods by the mill itself, although it may be influenced by it; neither has this profit of the so-called dealer or speculator in the shares any directly adverse or beneficial effect upon the workmen in the factory.

This distinction is of universal application. The workman may share with the capitalist in the results of all production, but the workman may not share with other capitalists either

in the risk, danger, or profit of dealing in the shares representing the capital invested, unless he himself becomes a capitalist to the extent of becoming owner of a part of the property or of such shares.

In a money point of view, it really matters nothing to the workman who it may be that owns the stock in the factory in which he is employed, provided the ownership of the factory falls into the hands of persons who possess capital, credit, and skill adequate to its profitable operation.

These factors of capacity and skill in the use of capital are as necessary to the workman as the use of the capital itself. How many workmen are there who could manage the mill? Is not the captain as necessary in the army of industry as the officer in the army of soldiers?

The majority of the stock in a factory might be owned by the temporary inmates of a State's prison; this fact would not affect the wages of the workmen in the factory, provided the credit of the corporation did not suffer, and provided the manufacturing agent were competent in its direction. The quality of the fabrics may be good even if the producer be a knave.

In the long run, the best goods pay the best profit, whoever makes them—just as the best workman secures the highest wages, for the very reason that he can make the best fabrics at the lowest cost. An astute knave will act upon this rule as surely as an honest man.

There can be no strikes of labor or laborers against capital or capitalists in the matter of speculation. All attempts to interfere by way of legislation with the processes of trade and with the practice of buying property of any kind in anticipation of a rise, either shares of stock, farm products, or manufactured goods, or even with buying and selling on contract without either party being in possession of the property, have proved entirely futile; but as these dealings only affect the disposition or distribution of capital already saved and in existence, they are of little direct consequence to laborers or working people, considered as a separate class.

Discontent exists and strikes occur mainly in productive industries, the common impression of many workmen being that capital, simply as capital, or that capitalists or owners, by means of the use of their capital, obtain an undue and inequitable share of the joint product of capital and labor, and thereby deprive the workman of something which ought to belong to him.

It is, therefore, important to determine what are the facts in this department. This

can only be done by selecting certain kinds of employment, and by ascertaining what the value of the product is, and thereby determining the method and proportion of the distribution of the money which is received from the sale of such fabrics which can be devoted either to profit or to wages, after materials and other charges have been paid for.

Given a certain sum derived from the sale of goods, there are certain charges to be met, as heretofore stated.

First, it will be admitted by both parties—capitalists and laborers alike—that property in the factory should be insured against loss by fire, and this must be paid for.

Second, that taxes must be paid upon it, be they greater or less.

Third, that competent men must be employed to oversee and direct the actual work, and these men must be paid.

It will be admitted that a certain part of the proceeds of the sales of the goods made must be set aside to meet these expenditures; also, that materials must be purchased; and also, that freights must be paid for moving the material to the factory, and the goods from the factory.

It will also be admitted that, in some way or other, the goods must be disposed of, and that certain expenses must be incurred in making such sales; a reserve must also be set aside to meet losses by bad debts.

It will, however, obviously be for the interest of the capitalist to reduce all these charges to the lowest possible point consistent with safety and with the conduct of the business; and to this extent at least the interests of the capitalist and of the laborer or workman are absolutely identical. Capital must, however, take all the risk not only of the fluctuation in the prices of materials, but of the goods manufactured, while the workman must be paid whether there is any profit or not, unless the mill is stopped. The mill is a fixture; it cannot be moved away; while the laborer who is dissatisfied with the work in it can move where he pleases and can choose other work, according to his or her capacity.

There is no greater fallacy than the common assumption that capital can move more readily than labor; once invested, it becomes a fixture and is at the mercy of circumstances.

The writer has known mills to be stopped by the bankruptcy of the owners followed by litigation among the creditors, which kept them idle only for a few years; but when finally disposed of, they could not be started again without such replacement of new for old machinery, and such reconstruction of buildings, that in some cases it would have been better to burn them than to remodel them.

When mills or works are in full operation,

after all these various prior charges have been defrayed from the proceeds of the sales of the product, there will remain a certain sum of money subject to distribution; one part of which constitutes the profit of the capitalist, and the other part constitutes the wages or earnings of the workmen or workwomen.

The question between laborers and capitalists is thus narrowed down to the disposition of this particular portion of the money remaining from the sale of the goods, all other charges having first been met.

It will be admitted by all intelligent workmen, or by their representatives, that some part of this remainder must be set aside as profit for the remuneration of the owner, whoever he may be, for the mere use of his capital, or else the work will not be undertaken at all, and there will then be no wages to be derived from that occupation, whatever it may be.

No man will invest capital without an expectation of profit; what inducement, then, must the laborer give to capitalists, if he had the complete power to dictate terms?

The question, therefore, is at last, *what* proportion of that part of the joint product of labor and capital in any given art, which it is possible to set aside for the purpose, will satisfy capital and will induce the owners of capital to continue in the business and to increase it so as to meet the need of an increasing population? When the question is brought down to this narrow point, most people who are not conversant with the facts will be greatly astonished at the very small share of the sale of the goods which now suffices for the compensation of capital. This share, small as it now is, is also constantly diminishing in its ratio to product as capital becomes more and more effective; hence the advocates of coöperative manufacturing, profit-sharing, and other expedients for improving the condition of those who work for wages may perhaps find that the risk to the workman in such undertakings will far outweigh any possible gain to him, for the very reason that in almost all branches of industry the margin of profit is now so small that the workman could not afford to run any risk whatever in order to share it.

It is impossible to treat profit-sharing without considering risk-sharing or loss-sharing at the same time. There is no rule of "Heads I win, tails you lose" in legitimate commerce.

We may derive some conclusions on this point from the data of the census; but they are not wholly satisfactory, because of the tendency of the owners of manufacturing property or capital to overestimate its value. It therefore happens that, in dealing with the census returns, we may only accept the statements of the cost of materials, of the number of persons

employed, of the sum of their wages, and of the market value of the products as being very accurate — all such items being taken from the actual books of account. The returns of capital employed in the work are very wide of the mark; respondents sometimes gave the cost, sometimes an estimate, sometimes the fixed capital or investment only, and sometimes both the invested and the active or cash capital made use of in the operations of the factory.

The writer happened to be one of the special census agents for compiling the statistics of the cotton manufacture. He found that if the corrections should be made in the stated amount of capital invested or employed in all the manufacturing arts corresponding to what would have been reasonable in this branch, the capital account in general manufactures, as given in the census, would be reduced by at least twenty and perhaps twenty-five per cent.

The figures given in the cotton manufacture were as follows.

<i>Capital.</i>	<i>Persons employed.</i>	<i>Wages.</i>	<i>Product.</i>
\$208,280,346	172,544	\$42,040,510	\$192,090,110

The maximum estimate of capital invested in the number of spindles returned at that date should not have exceeded \$160,000,000 to \$180,000,000 after allowing for necessary depreciation.

In point of fact, at the present lower prices of buildings and machinery, it requires about \$1000 to be invested in an entirely new mill and machinery for each hand employed in an average plain cotton factory; and if from one-quarter to one-half of a cent a yard of medium cloth of average quality can be secured from goods now worth three to ten cents per yard, the factory will earn six to eight per cent. on its capital; labor, on the other hand, will secure one and one-fourth to three cents per yard, the rest of the price of the goods being expended for materials and charges. Both parties will thus obtain the largest profits and the highest rate of wages which the price of the goods will permit.

In the woolen mill, on common every-day goods, such as flannels and plain cassimeres, the ratio is about \$500 capital to one workman; and if the owner can secure four to six cents from each dollar's worth of product, he will make eight to ten per cent. on his capital.

In the shoe factory only \$250 to \$300 of capital invested is required to each workman, while the annual product is three to five times the value of the capital invested; therefore, if the owner can secure three to six cents a pair on shoes worth \$1.00 to \$2.00, or three per cent. of the proceeds of the sales, he will earn ten per cent. on his capital, while the wages

of skilled boot and shoe makers average \$500 to \$600 a year, and in some branches very much more, or twice, at least, the amount of capital required to set each one at work. It is for this very reason, that the capital is so small in ratio to product, that so large a proportion of the capitalists in the boot and shoe manufacture themselves began at the bench, having entitled themselves to a credit in the purchase of materials by virtue of their character and not on the basis of their capital.

In converting dirty brown sugar into refined white sugar, a very large capital is required; yet it is so small in ratio to the value of the annual product, that one-sixteenth of a cent a pound profit suffices for its remuneration.

In the calico print works and in the bleachery, if the owner can secure a profit of one-tenth of a cent a yard upon staple goods, he is well satisfied.

In the manufacture of paper, three to five per cent. on the product will yield ten per cent. or more upon the capital.

On the other hand, if the profit on staple goods is more than six per cent. on the average, and upon fancy goods — of which the price is very fluctuating and uncertain — more than ten per cent., capital will be put to use in that art very rapidly, thus creating greater competition for skilled workmen, raising wages, and reducing profits to a minimum. Upon investigating a great strike which recently occurred, the writer ascertained that had the workmen succeeded in securing to their own use the whole profit which then satisfied the owners of the capital in a fairly prosperous art, their average wages would have been increased only \$15 to \$20 on average earnings of \$500 a year.

It is curious to observe that most of the strikes in this country have occurred in branches of industry in which the average margin of profit is least, and in which, if the workmen had secured to their own use the entire sum which the existing price of the goods would permit to be assigned to profits, their own remuneration would have been very little increased. Sometimes the price of the goods is advanced in consequence of a strike, in which case the consumers pay the advanced wages if secured, and not the capitalists who own the factories. Such an advance both in prices and wages is, however, of rarest occurrence; when a strike is accompanied by such an advance in the price of the product, a temporary scarcity occurs, of which the owners of the existing stock of goods take advantage, but the workmen seldom or never get it, although consumers pay it.

If we take the census figures of the manufacturing arts in 1880, and reduce the capital

said to be invested, in the proportion by which that in the cotton manufacture should be reduced in order to make it approximate to the facts, the figures would stand as follows:

Capital invested in manufacturing as given in the census.....	\$2,790,272,606
Reduced by 20 per cent.....	558,054,521

True valuation of capital.\$2,232,218,085

In the list of manufactures, however, several branches of industry, such as flour-milling, sugar-refining, meat-packing, and the like, will be found in which the raw material is very slightly advanced in value in the process of manufacture, and in which the proportion of wages and of profits combined to the gross value is very small indeed.

If these be classed separately, the remainder, which are strictly "manufactures" in the ordinary use of the term, will be found to require about \$1000 capital to each \$2000 of product at wholesale prices; therefore five per cent. of the product of all manufactures, so-called, will, as a general rule, yield ten per cent. upon capital, leaving ninety-five per cent. to be expended for the cost of materials and other charges, and for the wages or earnings of labor.

In the census report upon manufactures the cost of the materials used is given at	\$3,396,823,549
The wages or earnings of all persons employed	947,953,795

Total.....\$4,344,777,344

If we next assign as profit of a fraction over 5 per cent. upon the gross value as given, to wit, on \$5,365,579,191, we get a quotient of profits of.....279,272,606
which is ten per cent. upon the capital invested, even as given in the census without reduction.

Total.....	\$4,624,049,950
The remainder of the gross value of the product is	741,529,241

Total.....\$5,365,579,191

But it will be claimed and admitted that there has been a profit in the production of the materials used, and perhaps it will be alleged that the last item or remainder of \$741,529,241 is too large to have been absorbed by general expenses.

This last remainder of \$741,529,241 is the sum out of which insurance, taxes, general expenses, cost of transportation, loss of interest on sales made on credit, losses by bad debts, and all other necessary elements of the cost of manufacturing and distributing the goods—aside from materials and wages—must of necessity be defrayed before either wages or profits can be secured by either labor or capital.

To any one who is thoroughly conversant

with the miscellaneous expenses of the manufacturing enterprises of this country, this proportion of the gross value will not appear too large, bearing in mind that in this list of manufactures are included not only the great factories of every kind, but all the lesser articles of manufacture on which the cost of distribution is often very heavy.

In respect to the production of crude materials which are used in the manufacturing arts, less than five per cent. of the gross value will yield ten per cent. profit upon the capital which is needed for their production—the proportion of capital to the value of the product in growing or preparing such crude materials being less than in respect to the finished manufactures in which they are used.

Now, if it be true that any branch of industry which will yield ten per cent. profit on the capital required has been and will be rapidly undertaken, does it not follow that even in so prosperous a year as 1880 it is almost certain that labor secured at least ninety per cent. of the joint product of labor and capital?

In this connection I do not bring in the incidence of taxation, for the reason that, in my judgment, the tendency of all taxation, wherever and however imposed, is to diffuse itself throughout the community in the ratio of the consumption of the people. Therefore both the increment of profit and the share of labor are proportionately subject to taxation. Hence it is held that profit may be one-tenth and wages or earnings nine-tenths of the gross product, both shares being subject to taxation.

The proportion of profit upon the insurance of the factory, upon transportation, and upon the cost of wholesale distribution is also very small in ratio to the magnitude of the operations.

In the end, if such sums or percentage be assigned to profits in each department—to wit, in the primary processes of production, in the secondary processes, and even in some cases in the third processes, which are required in order to bring crude materials into form for final consumption—as will yield ten per cent. upon the capital needed in each and every department, it will appear that not exceeding ten per cent. of the final gross value of manufactures in 1880 would have sufficed for this purpose.

That is to say, the sum of all the capital necessary—1st, in the production of the crude materials used in factories; 2d, in the factories themselves, taken as a whole; 3d, in the distribution of the finished goods at wholesale—is in all probability about equal to the final wholesale annual value of the finished manufactures.

Therefore ten per cent. of the final value

will pay ten per cent. profit on all the capital used in all the departments of the work.

If more than ten per cent. is earned by capital, then new capital will be applied, and the rate of profit will be reduced to ten per cent. at most, and in all safe occupations at the present time to a much lower rate.

What becomes of the rest, it being admitted that laborers and capitalists alike yield up a portion of their respective shares by way of taxation for the support of government? Must not all the rest, of necessity, pass to those who perform the actual work in the field, in the mine, upon the railway, in the warehouse, or in the factory? If my reasoning is correct, is not all the rest *nine parts in ten of the entire product of the whole country*? Can labor and capital have any more than all there is produced? Can the product be increased by decreasing the work except so fast as invention may enable us to produce more with less labor?

In an exceedingly prosperous year profits may sometimes exceed ten per cent., as they possibly did in 1880; but the profits have been very much less since 1880, and in a series of years those who class themselves distinctly as working men and women, thus separating themselves from capitalists as a class, must secure to themselves at least ninety per cent. of the total annual product of the country.

How this portion of the product is divided among themselves, and how far it is depleted by unnecessary taxation, are the most important questions for the working people to consider at the present time.

The apparent tendency of all recent attempts to organize labor and to regulate the payment of wages and the hours of labor by agreements among manufacturers with the representatives of great associations, has rather been to reduce the general rate of wages to the level of that of the least skillful workmen, than to increase the share of the product falling to labor as a whole.

All profits and all wages must be derived from the sale of the product in each and all of the arts which are conducted in a civilized country. If the product is diminished, as it must be by any outside interference with freedom of contract on the part of adults, those who do the work must suffer the most from any disturbance or contest. Their present share is at least ninety per cent. of all that is now produced. If that product should be diminished, it would still require as large a sum for the maintenance and increase of capital as is now required; the capital in an eight-hour mill must be as great as in a ten-hour mill; therefore the proportion of the smaller product, which would necessarily be assigned to capital, would be larger than it now is.

Hence the share of the laborer would be diminished both absolutely and relatively.

Those who would suffer most in these changes would be the common laborers, who absolutely depend upon their daily work for their daily bread.

The effect of the aggressive interference of what is now called "organized labor" with established methods of industry is, however, almost of necessity confined to those branches of work which are carried on under the collective or factory system by great subdivisions of labor. Such interference has, even of late, been limited to a small part even of the collective factory work of the country, and although it has caused great excitement, it has done but little harm, having already spent its force. At the moment when these proofs are being corrected, a great strike in the coal-yards of New Jersey and on the docks of New York has also about spent its force.

The arts which are conducted upon the factory system now give employment to only ten per cent. of the people of this country, or one hundred in each one thousand of those who are occupied for gain. It is in these very arts that the greatest abundance of product is now assured with the least amount or quantity of labor, under free conditions of contract both with respect to capital and labor, subject only to such statutes as have been required for the protection of children from overwork. But if the product of these arts should be materially lessened by outside interference of any sort, the great body of consumers outside the factories would be obliged to work harder and longer in order to get less than they do now.

Ten per cent. or less has thus far been assigned to the possible profit of those who own or possess capital, but it does not follow that all the profits thus gained are added to capital previously saved.

We have not yet defined the full proportion of our annual product which is now secured by the working classes, so called.

There is a further distribution among working people even of such profits as have been assigned to capitalists. The living expenses of capitalists and of their families are paid out of their profits; and this portion of their apparent gain is distributed among those who are in private employment of such capitalists. This may not be wholly productive consumption; yet it reduces the sum which might otherwise be added to capital by distributing a portion of the profits of capitalists among those who are actually at work for them. On the other hand, there is a very large addition to the capital of the country from the savings of working people who are not capitalists according to the common use of the word.

This leads to the final question, What is the actual margin of profit on production as a whole which can be secured by capitalists, be they large or small, *to be added to the capital of the whole country?* I think it cannot be as much as ten per cent. I can find no trace of existing capital corresponding to a saving of ten per cent. on the average annual product of the United States for the past generation, and there is very little capital of any kind which retains any value beyond a single generation. The whole present capital of the United States, the richest country in the world, which has been saved during the whole period of the existence of the nation, certainly does not exceed the value of three years' production, and is probably less than the value of two years' production at the present time. It must be remembered that land is not capital; it has no value except the value given to it by the use of labor and capital upon it.

It may therefore be asked, 1st, if the laborers secured to their sole use the whole margin of profit which is now added to the whole capital of the country, how much would the general rate of wages be advanced? 2d, if laborers themselves secured this profit, as a distinct class, and added it in small sums each to the capital of the country, would it become as effective in promoting the increase of future production as it does when it is held in large sums owned by individual capitalists? Is not the profitable use of capital one of the most difficult arts, and are not the great masters in the use of capital most necessary factors in assuring that abundant production upon which the welfare of workmen especially depends, because they consume the greater proportion?

These and other similar questions lie at the very foundation of what is called "Labor Reform." Can any true solution of the main issue be reached until these questions are answered? Are not a vast proportion of working men discontented, and eagerly seeking a share of an assumed margin or supposed profit which has no existence in fact?

On the other hand, if capital—whether massed in great sums in the hands of individuals, or aggregated in small sums by the people themselves—should fail to secure such a profit as would suffice for its maintenance and increase in due proportion to the increase of the population, would not the production of ensuing years be diminished, and in the end would not labor suffer most for want of adequate machinery, for lack of tools, warehouses, railroads, factories, and other forms of capital?

It behooves all the "friends of labor," so called, to be very sure of their premises when denouncing capitalists as a class lest they add

fuel to a dangerous flame. There are many simple principles which are better comprehended by men of affairs than they can be by scholars or clergymen.

One of the most simple rules is this: that under the influence of competition not only of labor with labor, but of capital with capital, the joint product of these two necessary elements of production is increased in vastly greater measure by the use of such capital, than the share of the product which the capitalist secures to himself is increased.

In other words, while the absolute share secured by the capitalist may increase, the relative proportion of the joint product secured by him rapidly decreases; but the share of the laborer is increased both absolutely and relatively.

A careful analysis of each and every important branch of industry for fifty years will prove that capital has secured a decreasing share, while labor has secured an increasing share of a constantly increasing product.

Hence, while all restrictions upon the free use of capital in reputable occupations are bad for the owners, they are very much worse for the workmen.

For instance: if all the cotton-mills were forced into idleness by meddlesome interference and by statute regulations, the hand labor of about sixteen million men and women would become necessary upon their own spinning-wheels and hand-looms, in order to provide the cotton fabrics which are now consumed in the United States, of which fabrics at least ninety per cent. are consumed by these very working people.

The present production of cotton fabrics requires less than two hundred thousand operatives, whose wages or earnings have steadily increased ever since the cotton-factory was established, and are now higher than they ever were before. It does not appear, however, that the capitalists who own the cotton-mills have secured any great portion of the increased product of cotton goods which their machinery has enabled these operatives to make. The consumers of the goods have enjoyed the chief benefit of the increased abundance; but even of what remains to be divided between capital and labor, the operatives, as I have previously shown, now secure five parts where capital secures only one part; and in this art the proportion which goes to labor is *less* than in almost any other of the great manufacturing enterprises, for the very reason that it requires so large a capital to start a single operative. In one continuously successful factory which I have analyzed, in which the farmers' daughters of New England, in 1840, earned \$175 per year each, for thirteen hours per day work,

the sum necessary to give capital ten per cent., to be taken from the product of each operative, was \$113. In that same factory the French-Canadian weaver, working ten hours, now gains \$290 per year, and if capital can secure \$70 from the product, it will earn ten per cent. The share of labor is double per hour, while the share of capital has diminished forty per cent. In fact, much more, because the factory cannot now earn ten per cent. a year.

When even the little margin of profit which is now secured by the capitalist is taken from him, whoever he may be, the only recourse will be to the spinning-wheel and to the handloom.

Or again, when the railway between Chicago and New York fails to yield a profit of fourteen cents for moving a barrel of flour one thousand miles (or less than the value of the empty barrel), which was substantially the margin of profit on the railway service of last year, labor may not only be permitted, but will be required, to do all the work and take all the pay for moving the flour needed in the East from the far-distant West, by the use of its own wheelbarrows or with such other means of transportation as it may be able to provide itself with.

Long before either event could occur, common sense and a little study of the facts of life will have settled what is called the "Labor Question."

A very large part of the present discontent among laboring people (so called to distinguish them from hard-working owners of capital) has been promoted by a misuse of the figures of the census of 1880.

A very common error in the use of the census data of the manufactures of this country—even on the part of intelligent members of Congress who might be expected to know better—consists in deducting the sum of wages and the cost of materials combined, from the value of the goods as given in the census, and then in assuming that the remainder constituted the *profit* of manufacturing. No more erroneous or fallacious deduction could be made. Reference may be made to the figures given in the analysis of manufactures to prove how large a part of the proceeds of sales of goods must be applied to miscellaneous or general charges and expenses.

There is nothing which an expert statistician or census specialist avoids so scrupulously as putting questions which would expose the profit of any business, if answered; because he knows that if the questions are so framed he will either obtain no replies at all, or else he will obtain partial or incorrect replies intended to mislead.

Therefore any and all deductions of alleged profits, from the United States census, or from any State census, or from any State inquiry into the condition of labor, are apt to be mere rubbish, and are not worth a single moment's attention from a student or from a legislator.

The year 1880 was unquestionably a prosperous year, and there may have been an average profit of ten per cent. in the manufacturing arts in that year. Since then the customary rule has held good,—more capital has been invested, there has been a period of so-called depression, the margin of profit has diminished, but the wages of labor have as a whole steadily advanced.

This adjustment is now about completed; laborers are now fully employed; there never has been a period in the history of this or any other country equal to the present in this country, at this period (Jan., 1887), in the following conditions:

First. So large a product made and distributed at so low a cost in ratio to the capital invested either in production or in the mechanism of distribution.

Second. So low a rate of profit sufficing to satisfy capital and to induce further investments in any or all arts.

Third. So high a general rate of wages earned by so small a number of hours of work per day.

Fourth. So large a purchasing power in each unit or dollar of the wages or earnings, when expended for the necessities or comforts of life.

Fifth. In no previous period has the workman received so large a proportion of the joint product of labor and capital, or its equivalent either in money or goods.

Hence it follows that the disturbers of labor have about exhausted their temporary power of mischief. The organizations, associations, or clubs of workmen are now assuming their true and beneficent function, to wit: that of schools of inquiry in which the alphabet of social science will be learned, and by means of which peace, order, and industry will be assured.

It has been necessary to treat only what are called manufactures in order to ascertain the margin of profits, or to estimate the ratio of profits to wages; because the data of agriculture in respect to the amount of capital required are almost wholly wanting.

Capital is labor saved and applied to reproduction. Raw land has no value, and land attains value only when capital and labor are applied to its improvement. The investment of capital in agriculture is, as a general rule, much greater in bringing the land into productive condition, than it is in the investment in buildings and tools upon the land. A very

large part of each year's expenditure consists in maintaining the fertility of the soil after its virgin properties begin to be exhausted, in building and maintaining fences, and in other uses of capital which is often utterly lost, if the effort is suspended even for a very short period. What proportion of the value of the products of agriculture can be assigned as the true margin of profit, it is impossible to state, but it is well known to be very small,—much less than in the manufacturing arts.

There remains only to be considered the margin of profit on the final or retail distribution of all products, both of manufactures and agriculture. In the great city shops the rule of large sales for small profits is the common one—short credits or none being granted. In answer to a question lately put to two of the largest retail dealers in this city, one put his losses by bad debts for the last ten years at less than one-tenth, the other at less than one-sixteenth of one per cent. In the small shops a large margin of profit is required in order to sustain the shop at all, and to cover the risks of loss even on monthly credits. In the distribution of the perishable products of agriculture, the margin between the price which the farmer receives and that which the consumer pays is commonly the largest single element in the cost of food to the consumer, and as the price of food to the working population is one-half the whole cost of living or more, any saving which can be made in this element of life would be very beneficial. It has only been in reducing the cost of distribution in small parcels, at retail, that the system of coöperation has had any substantial success.

From the fullest investigation which I have been able to make, I have become more and more convinced that ten per cent. is the maximum margin of profit on all production in

this country, and that even a less proportion of the product of a normal year is all that can be set aside for the maintenance or increase of capital; conversely, that more than ninety per cent. of each year's product is consumed by those who are engaged in its production, as working people in the sense in which that term is commonly used. Of the ten per cent. or less which is or may be saved and added to capital, a very large share will become the property of those who are themselves working people in the strictest sense—another large share will be saved by persons of moderate means, while the share of the rich will be but the lesser part of the whole sum of profits. This view is sustained by the very small margin of profit which now suffices to draw capital into any and all the principal arts which can be analyzed.

All attempts to measure the progress of the country by comparisons of accumulated wealth, stated in terms of money, are practically worthless. The figures of the census of 1880 have no substantial value, for the reasons given in the preceding comments on the capital in manufacturing, while the data of the census of 1860 and 1870 were very incomplete and even more inaccurate.

The importance of accumulated wealth as a factor in the general welfare depends wholly upon its use, and as capital becomes more effective its ratio to the value of products diminishes; hence it often happens that true progress in material welfare may be more accurately measured by the destruction of what has previously been wealth than by its accumulation. The inventors and the scientists are the greatest destroyers of hardly won wealth, the tendency of science and invention being to substitute less costly and more effective capital for that which has been previously in use.

Edward Atkinson.

STONE WALLS.

ALONG the country roadside, stone on stone,
 Past waving grain-field, and near broken stile,
 The walls stretch onward an uneven pile,
 With rankling vines and lichen overgrown:
 So stand they sentinel. Unchanged, alone,
 They're left to watch the seasons passing slow:
 The Summer's sunlight, or the Winter's snow,
 The Spring-time's birdling, or the Autumn's moan.
 Who placed the stones now gray with many years?
 And did the rough hands tire, the sore hearts ache?
 The eyes grow dim with all their weight of tears?
 Or did the work seem light for some dear sake?
 Those lives are over. All their hopes and fears
 Are lost, like shadows in the morning-break.

Julie M. Lippmann.