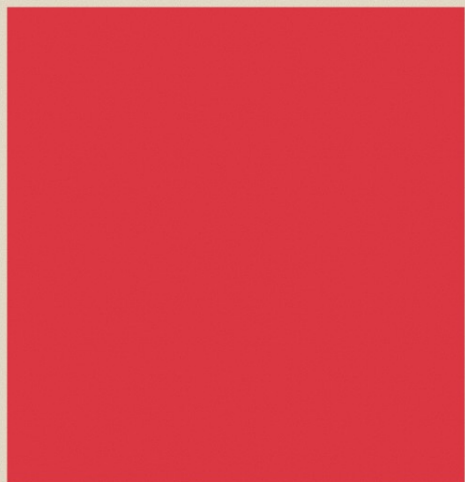


The Evolution of Modern Capitalism

J. A. HOBSON



J. A. HOBSON

The Evolution of Modern Capitalism

First published: 1894

Public domain edition

JVA Editora



THE CONTEMPORARY SCIENCE SERIES.
EDITED BY HAVELOCK ELLIS.

**EVOLUTION
OF MODERN CAPITALISM.**

THE EVOLUTION
OF
MODERN CAPITALISM
A STUDY OF MACHINE PRODUCTION.

BY
JOHN A. HOBSON, M.A.,
AUTHOR OF "PROBLEMS OF POVERTY."

THE WALTER SCOTT PUBLISHING CO., LTD.,
PATERNOSTER SQUARE, LONDON, E.C.
CHARLES SCRIBNER'S SONS,
153-157 FIFTH AVENUE, NEW YORK.
1902.

[v]

PREFACE.

In seeking to express and illustrate some of the laws of the structural changes in modern industry, I have chosen a focus of study between the wider philosophic survey of treatises on Social Evolution and the special studies of modern machine-industry contained in such works as Babbage's *Economy of Manufactures* and Ure's *Philosophy of Manufactures*, or more recently in Professor Schulze-Gaevernitz's careful study of the cotton industry. By using the term "evolution" I have designed to

mark the study as one of a subject-matter in process of organic change, and I have sought to trace in it some of those large movements which are characteristic of all natural growth.

The sub-title, *A Study of Machine-Production*, indicates a further narrowing of the investigation. Selecting the operation of modern machinery and motors for special attention, I have sought to enforce a clearer recognition of organic unity, by dwelling upon the more material aspects of industrial change which mark off the last century and a half from all former industrial epochs. The position of central importance thus assigned to machinery as a factor in industrial evolution may be—to some extent must be—deceptive, but in bringing scientific analysis to bear upon phenomena so complex and so imperfectly explored, it is essential to select some single clearly appreciable standpoint, even at the risk of failing to present the full complexity of forces in their just but bewildering interaction.

In tracing through the Business, the Trade, and the Industrial Organism the chief structural and functional changes which accompany machine-development, I have not attempted to follow out the numerous branches of social investigation which diverge from the main line of inquiry. Two studies, however, of "the competitive system" in its modern working are presented; one examining the process of restriction, by which competition of capitals gives way to different forms of combination; the other tracing in periodic Trade Depressions the natural outcome of unrestricted competition in private capitalist production.

In some final chapters I have sought to indicate the chief bearings of the changes of industrial structure upon a few of the deeper issues of social life, in particular upon the problem of the Industrial Town, and the position of woman as an industrial competitor.

A portion of Chapters VIII., IX., and X. have already appeared in the *Contemporary Review* and in the *Political Science Quarterly Review*, and I am indebted to the courtesy of the editors for permission to use them.

I have also to acknowledge most gratefully the valuable assistance rendered by Dr. William Smart of Glasgow University, who was kind enough to read through the proofs of a large portion of this book, and to make many serviceable corrections and suggestions.

JOHN A. HOBSON.

[vii]

CONTENTS

CHAPTER I.

	PAGE
<u>INTRODUCTION</u>	1

Section

1. Industrial Science, its Standpoint and Methods of Advance.
2. Capital as Factor in Modern Industrial Changes.
3. Place of Machinery in Evolution of Capitalism.
4. The Monetary Aspect of Industry.
5. The Literary Presentment of Organic Movement.

CHAPTER II.

THE STRUCTURE OF INDUSTRY BEFORE MACHINERY 10

1. Dimensions of International Commerce in early Eighteenth Century.
2. Natural Barriers to International Trade.
3. Political, Pseudo-economic, and Economic Barriers—Protective Theory and Practice.
4. Nature of International Trade.
5. Size, Structure, Relations of the several Industries.
6. Slight Extent of Local Specialisation.
7. Nature and Conditions of Specialised Industry.
8. Structure of the Market.
9. Combined Agriculture and Manufacture.
10. Relations between Processes in a Manufacture.
11. Structure of the Domestic Business: Early Stages of Transition.
12. Beginnings of Concentrated Industry and the Factory.
13. Limitations in Size and Application of Capital—Merchant Capitalism.

[viii]

CHAPTER III.

THE ORDER OF DEVELOPMENT OF MACHINE INDUSTRY 44

1. A Machine differentiated from a Tool.
2. Machinery in Relation to the Character of Human Labour.
3. Contributions of Machinery to Productive Power.
4. Main Factors in Development of Machine Industry.
5. Importance of Cotton-trade in Machine Development.
6. History refutes the "Heroic" Theory of Invention.
7. Application of Machinery to other Textile Work.
8. Reverse order of Development in Iron Trades.
9. Leading Determinants in the General Application of Machinery and Steam-Motor.
10. Order of Development of modern Industrial Methods in the several Countries—Natural, Racial, Political, Economic.

CHAPTER IV.

THE STRUCTURE OF MODERN INDUSTRY 88

1. Growing Size of the Business-Unit.
2. Relative Increase of Capital and Labour in the Business.
3. Increased Complexity and Integration of Business Structure.
4. Structure and Size of the Market for different Commodities.
5. Machinery a direct Agent in expanding Market Areas.
6. Expanded Time-area of the Market.
7. Interdependency of Markets.
8. Sympathetic and Antagonistic Relations between Trades.
9. National and Local Specialisation in Industry.
10. Influences determining Localisation of Industry under World-Competition.
11. Impossibility of Final Settlement of Industry.
12. Specialisation in Districts and Towns.
13. Specialisation within the Town.

[ix]

CHAPTER V.

THE FORMATION OF MONOPOLIES IN CAPITAL

117

1. Productive Economies of the Large Business.
2. Competitive Economies of the Large Business.
3. Intenser Competition of the few Large Businesses.
4. Restraint of Competition and Limited Monopoly.
5. Facilities for maintaining Price-Lists in different Industries.
6. Logical Outcome of Large-Scale Competition.
7. Different Species of "Combines."
8. Legal and Economic Nature of the "Trust."
9. Origin and *Modus Operandi* of the Standard Oil Trust.
10. The Economic Strength of other Trusts.
11. Industrial Conditions favourable to "Monopoly"

CHAPTER VI.

ECONOMIC POWERS OF THE TRUST

143

1. Power of a Monopoly over earlier or later Processes in Production of a Commodity.
2. Power over Actual or Potential Competitors.
3. Power over Employees of a Trust.
4. Power over Consumers.
5. Determinants of a Monopoly Price.
6. The Possibility of low Monopoly Prices.
7. Considerations of Elasticity of Demand limiting Prices.
8. Final Summary of Monopoly Prices.

CHAPTER VII.

[x]

MACHINERY AND INDUSTRIAL DEPRESSION

167

1. The external phenomena of Trade Depression.
2. Correctly described as Under-production and Over-production.
3. Testimony to a general excess of Productive Power over the requirement for Consumption.
4. The connection of modern Machine-production and Depression shown by statistics of price.
5. Changing forms in which Over-supply of Capital is embodied.
6. Summary of economic relation of Machinery to Depression.
7. Under-consumption as the root-evil.
8. Economic analysis of "Saving."
9. Saving requires increased Consumption in the future.
10. Quantitative relation of parts in the organism of Industry.
11. Quantitative relation of Capital and Consumption.
12. Economic limits of Saving for a Community.
13. No limits to the possibility of individual Saving—Clash of individual and social interests in Saving.
14. Objection that excess in forms of Capital would drive interests to zero not valid.
15. Excess is in embodiments of Capital, not in real Capital.
16. Uncontrolled Machinery a source of fluctuation.

CHAPTER VIII.

MACHINERY AND DEMAND FOR LABOUR

220

1. The Influence of Machinery upon the number of Employed, dependent on "elasticity of demand."
2. Measurement of direct effects on Employment in Staple Manufactures.
3. Effects of Machinery in other Employments—The Evidence of French Statistics.
4. Influence of Introduction of Machinery upon Regularity of Employment.
5. Effects of "Unorganised" Machine-industry upon Regularity.
6. Different Ways in which modern Industry causes Unemployment.
7. Summary of General Conclusions.

[xi]

CHAPTER IX.

MACHINERY AND THE QUALITY OF LABOUR

244

1. Kinds of Labour which Machinery supersedes.
2. Influence of Machine-evolution upon intensity of physical work.
3. Machinery and the length of the working day.
4. The Education of Working with Machinery.
5. The levelling tendency of Machinery—The subordination of individual capacity in work.

CHAPTER X.

THE ECONOMY OF HIGH WAGES

261

1. The Economy of Low Wages.
2. Modifications of the Early Doctrine—Sir T. Brassey's Evidence from Heavy Manual Work.
3. Wages, Hours, and Product in Machine-industry.
4. A General Application of the Economy of High Wages and Short Hours inadmissible.
5. Mutual Determination of Conditions of Employment and Productivity.
6. Compressibility of Labour and Intensification of Effort.
7. Effective Consumption dependent upon Spare Energy of the Worker.
8. Growth of Machinery in relation to Standard of Comfort.
9. Economy of High Wages dependent upon Consumption.

CHAPTER XI.

[xii]

SOME EFFECTS OF MODERN INDUSTRY UPON THE WORKERS AS CONSUMERS

285

1. How far the different Working Classes gain from the Fall of Prices.
2. Part of the Economy of Machine-production compensated by the growing Work of Distribution.
3. The Lowest Class of Workers gains least from Machine-production.

CHAPTER XII.

WOMEN IN MODERN INDUSTRY

290

1. Growing Employment of Women in Manufacture.
2. Machinery favours Employment of Women.
3. Wages of Women lower than of Men.
4. Causes of Lower Wages for Women.
5. Smaller Productivity or Efficiency of Women's Labour.
6. Factors enlarging the scope of Women's Wage-work.
7. "Minimum Wage" lower for Women—Her Labour often subsidised from other sources.
8. Woman's Contribution to the Family Wages—Effect of Woman's Work upon Man's Wages.
9. Tendency of Woman's Wage to low uniform level.
10. Custom and Competition as determinants of Low Wages.
11. Lack of Organisation among Women—Effect on Wages.
12. Over-supply of Labour in Women's Employments the root-evil.
13. Low Wages the chief cause of alleged Low "Value" of Woman's Work.

14. Industrial Position of Woman analogous to that of Low-skilled Men.
15. Damage to Home-life arising from Women's Wage-work.

CHAPTER XIII.

[xiii]

MACHINERY AND THE MODERN TOWN

324

1. The Modern Industrial Town as a Machine-product.
2. Growth of Town as compared with Rural Population in the Old and New Worlds.
3. Limits imposed upon the Townward Movement by the Economic Conditions of World-industry.
4. Effect of increasing Town-life upon Mortality.
5. The impaired quality of Physical Life in Towns.
6. The Intellectual Education of Town-life.
7. The Moral Education of Town-life.
8. Economic Forces making for Decentralisation.
9. Desirability of Public Control of Transport Services to effect Decentralisation.
10. Long Hours and Insecurity of Work as Obstacles to Reforms.
11. The Principle of Internal Reform of Town-life.

CHAPTER XIV.

CIVILISATION AND INDUSTRIAL DEVELOPMENT

350

1. Imperfect Adjustment of Industrial Structure to its Environment.
2. Reform upon the Basis of Private Enterprise and Free Trade.
3. Freedom and Transparency of Industry powerless to cure the deeper Industrial Maladies.
4. Beginnings of Public Control of Machine-production.
5. Passage of Industries into a public Non-competitive Condition.
6. The *raison d'être* of Progressive Collectivism.
7. Collectivism follows the line of Monopoly.
8. Cases of "Arrested Development;" the Sweating Trades.
9. Retardation of rate of Progress in Collective Industries.
10. Will Official Machine-work absorb an Increasing Proportion of Energy?
11. Improved Quality of Consumption the Condition of Social Progress.
12. The Highest Division of Labour between Machinery and Art.
13. Qualitative Consumption defeats the Law of Decreasing Returns.
14. Freedom of Art from Limitations of Matter.
15. Machinery and Art in production of Intellectual Wealth.
16. Reformed Consumption abolishes Anti-Social Competition.
17. Life itself must become Qualitative.

[xiv]