

**THE PROBLEM OF THE
UNEMPLOYED,
AN ENQUIRY AND
AN ECONOMIC POLICY**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649009053

The problem of the unemployed, an enquiry and an economic policy by John A. Hobson

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

JOHN A. HOBSON

**THE PROBLEM OF THE
UNEMPLOYED,
AN ENQUIRY AND
AN ECONOMIC POLICY**

SOCIAL QUESTIONS OF TO-DAY

EDITED BY H. DE B. GIBBINS, M.A.

THE PROBLEM

OF

THE UNEMPLOYED

SOCIAL QUESTIONS OF TO-DAY

Edited by H. de B. GIBBINS, M.A.

Crown 8vo., 2s. 6d.

A series of volumes upon those topics of social, economic, and industrial interest that are at the present moment foremost in the public mind. Each volume is written by an author who is an acknowledged authority upon the subject with which he or she deals, and who treats his question in a thoroughly sympathetic but impartial manner, with special reference to the historic aspect of the subject.

The following Volumes of the Series are now ready.

- TRADE UNIONISM—NEW AND OLD.** G. HOWELL, M.P., Author of *The Conflicts of Capital and Labour*. Second Edition.
- PROBLEMS OF POVERTY:** An Inquiry into the Industrial Condition of the Poor. J. A. HANSON, M.A. Third Edition.
- THE CO-OPERATIVE MOVEMENT TO-DAY.** G. J. HOLYOAKE, Author of *The History of Co-operation*.
- MUTUAL THRIFT.** Rev. J. FROME WILKINSON, M.A., Author of *The Friendly Society Movement*.
- THE COMMERCE OF NATIONS.** C. R. BASTABLE, LL.D., Professor of Political Economy in the University of Dublin.
- THE ALIEN INVASION.** W. H. WILKINS, B.A., Secretary to the Association for Preventing the Immigration of Destitute Aliens. (With an Introductory Note by the Right Reverend the Bishop of Bedford.)
- THE RURAL EXODUS:** Problems of Village Life. P. ANDERSON GRAHAM.
- LAND NATIONALISATION.** HAROLD COX, B.A.
- A SHORTER WORKING-DAY.** R. A. HADFIELD, and H. DE B. GIBBINS, M.A.
- BACK TO THE LAND.** HAROLD E. MOORE, F.S.I.
- TRUSTS, POOLS, AND CORNERS.** J. STEPHEN JEANS.
- FACTORY LEGISLATION.** R. W. COOKE TAYLOR, Author of *The Modern Factory System*, etc.
- WOMEN'S WORK.** LADY DELKE, AMY BULLEY, and MARGARET WHITLEY.
- THE STATE AND ITS CHILDREN.** GERTRUDE TUCKWELL.
- MUNICIPALITIES AT WORK.** By FREDRICK DOLMAN.
- SOCIALISM AND MODERN THOUGHT.** By M. KAUFMANN, M.A.
- MODERN CIVILISATION IN SOME OF ITS ECONOMIC ASPECTS.** By W. CUNNINGHAM, D.D.
- THE HOUSING OF THE WORKING CLASSES.** By F. BOWMAKER.

Other Volumes are in preparation.

METHUEN & CO., 36 ESSEX STREET, W.C.

THE PROBLEM
OF
THE UNEMPLOYED

AN ENQUIRY AND AN ECONOMIC POLICY

BY

JOHN A. HOBSON

AUTHOR OF "PROBLEMS OF POVERTY".



METHUEN & CO.
36 ESSEX STREET, W.C.
LONDON

1896

P R E F A C E

THE Unemployed Question has greatly suffered from the modern tendency of economic investigation in England to devote an almost exclusive attention to the study of detailed facts, ignoring the larger facts or principles in which these smaller facts find their unity. It may be readily conceded that the treatment of no industrial subject has suffered more than this from vague and unfounded generalities, and that the close labour of historical research in collecting and grouping facts is a most urgent need. Such work to be effective requires a separate investigation and discussion of the several forms and aspects of Unemployment and of the forces which are engaged in causing it. (So the Unemployed Question easily bifurcates into the treatment of skilled and unskilled, able-bodied and inefficient, temporarily unemployed and surplus labour, country and town labour, while each trade is found to have its special characters and causes of seasonal irregularity or wider fluctuations.)

But the need of this segmentary search for facts does not justify the common suggestion that there is not one Unemployed Problem but fifty, and that each must be

treated entirely by itself upon the basis of its special facts, without reference to wider or more general principles.

The tendency thus to fritter away the unity of a great subject into an ever-widening number of component parts is a grave intellectual danger which induces a paralysis of all work of practical reform. My object in this book is to show that the Unemployed Question has a true unity which is clearly discernible amid the facts which are already ascertained, and which is inevitably hidden by the sectional treatment. (After making due allowance for minor contributory causes, I claim to establish the identity of Unemployment as an aspect of Trade Depression and by further analysis of facts to establish Under-consumption as the direct economic cause of the industrial malady.) The refusal to recognise that Industry both in volume and character, is directly determined by the effective demand of Consumers, with due allowance for the prophetic or stimulative influence of Producers, is still the deepest source of error in the English theory of the structure of Industry.

The identification of Unemployment with Under-consumption demands an explanation of that failure of Consumption to keep pace with Producing-power which is recognised as a general feature of industry in highly developed countries. This explanation is found in causes which affect the distribution of power to consume and induce individuals to endeavour to capitalise "unearned" elements of income at a greater pace than is economically needed to satisfy the demands of current consumption.

This economic analysis of the phenomena of Trade Depressions does not claim to be new in substance. Several early economists, in particular Lauderdale and

Malthus, gave a brilliant and a sound analysis of these phenomena, which was never refuted. Their valid arguments were rejected not because they were disproved, but because they were associated with views and practical proposals often rightly regarded as misleading or mischievous. The general acceptance of illogical and inconsistent definitions of the terms Capital and Demand, and a neglect to study the actual mechanism of Saving, have caused the main body of English professional economists to evade all scientific recognition of the phenomenon of an excess of general producing-power which is visible in periods of trade depression. No sufficient consideration has been accorded to several recent statements of the case, both in England and in the United States. In the latter country Mr. Uriel Crocker of Boston was the first to apply clearly and effectively this analysis to the modern phenomena of "depressed trade" in advanced industrial communities, and his latest statement entitled "*Hard Times*" is by far the most convincing short popular rendering of the argument. Mr. J. M. Robertson in his "*Fallacy of Saving*" gave a powerful reading of one important aspect of the case, the false or "bogus" saving which a futile endeavour to establish excessive capital engenders. Some years ago in conjunction with the late Mr. A. F. Mummery I endeavoured, in *The Physiology of Industry*, to call attention to the large issues involved in this line of thought. Several other writers* during recent years have effectively exposed the fallacies of Adam Smith's doctrine of Parsimony and J. S. Mill's Fundamental Propositions concerning Capital,

* *E.g.*, R. S. Moffat in "The Economy of Consumption." Frank Fairman, in various pamphlets. Dr. Hertzka in "Freeland." See also "The Evolution of Modern Capitalism", by the present writer.

though the force of their criticism in some instances is weakened by a disparagement of the habit of individual thrift, which is not rightly involved in the line of their attack and which indicates a failure to grasp the true relations between individual and social "saving." Their arguments have received little attention, in this country or in America, from the main body of economists, who still lean with childlike confidence upon a theory of Capital formulated by J. S. Mill, and afterwards abandoned in its most essential feature by its author. In spite of the general acceptance accorded to the new position by several important continental economists, they stubbornly refuse to re-open what they have chosen to regard as a dead controversy.

It is hoped that this restatement of the position, by its specific application to the concrete problem of the "unemployed" and by the central importance assigned to the idea of Under-consumption, may avoid some of the misunderstanding to which earlier statements were liable. By its explanation of Unemployment as a natural and necessary result of a mal-distribution of consuming-power, vested in economic rent and monopoly elements of profit, the argument claims a distinct place in the theory of social progress.

The latter half of the book is an endeavour to discover and apply true principles of remedial treatment, by marking the outlines of the larger economic policy which shall embody the principle of progressive consumption, and by the application of a scientific test to the several popular remedies or palliatives which occupy the public attention.