

# The Economic Situation in Great Britain

By J. A. HOBSON

*London, October 1*

IN business and financial quarters there is a pretty general belief that Great Britain is beginning to rise out of the deep trade depression of the last two years. That belief is based upon contributory evidence from many sources. Foremost stands the fact that wholesale prices appear to have touched bottom at the beginning of this year and (in spite of a slight drop in August) to be steady on the new low level, while retail prices are reluctantly but surely following. This appears to signify that the glut of 1920 has been nearly worked off in the markets, and that business men are looking to some immediate expansion of sales at prices which will begin to rise. Here is not merely a psychological but an industrial change. For the productive activity has already begun, though not yet general or very confident. Recent commercial surveys show that the tone of trade reports is a little more cheerful in most centers, though, taken in general, trade is still bad. Cotton, our great export trade, is very weak, and is balloting on the question of a four-day week. Other textiles are improving very slightly, both in employment and prices. The same has been true of some branches of the iron, steel, and engineering trades, though the spurt here is probably due mostly to the temporary buying from America, as also is the boom in our export coal trade. On the whole, however, the constructive industries, with the notable exception of shipbuilding (still in deep depression), are a little stronger, the best index of an expected general trade revival. But how far and how fast that revival is going nobody can confidently predict, in the face of so many dangerous situations in the world and so many changes of trade courses.

Banking and stock-exchange statistics throw no clear light upon the situation, partly because of the unprecedented complexity of finance, partly because money changes are poor indices of economic facts, partly because politics are constantly intruding upon commercial finance, in the shape of government borrowing, shifting of public securities, etc.

There are, however, one or two significant movements on the monetary side, notably the large reduction of money on deposit. The total of deposits at our nine great joint-stock banks has fallen by the amount of £67,000,000 in the last two months, £140,000,000 since January. This decline is balanced by a decrease of banking business, mainly in discounting bills, but also in loans and advances. Partly, no doubt, this merely signifies that, with falls in retail prices still continuing, much business is done at a lower level. But it also means that, as prospects are a little brighter, business men are letting less money lie on deposit, and are investing more freely on their own account, either in the new Treasury bonds or in other securities.

But though the Stock Exchange has recently shown more activity, and a number of new companies, or new issues of old companies, have been fairly received, it cannot be said that there is here any strong evidence of a coming full revival. Though, as we see, many internal evidences are slightly favorable, dark clouds in the external horizon are constantly arising to unsettle our trade, so largely

dependent on foreign markets. It must always be kept in mind that, before the war, at least one-third of our material product of industry was destined for overseas markets. If we are to live henceforth upon anything like the pre-war level we must enlarge both our total product and our export trade, in order that we may pay, by means of the latter, for the imports that no longer come as interest on the large amount of foreign investments we "blew" in the Great War. Now our present productivity is considerably below the pre-war level. This is best attested by the large amount of unemployment of labor and the corresponding idleness of plants. Though the high-water level of unemployment, about 20 per cent, has now fallen to 14.4 per cent, at the end of August, the improvement is both slight and slow. It is not too much to say that the problem of a million and a half unemployed grows graver every month, and that unless a marked improvement takes place soon the coming winter is likely to be one of the most miserable and dangerous in modern times. Hitherto the enforced leisure has been borne far more easily than was anticipated when the depression broke on us two years ago. The failure of regular earnings has been partly compensated by various contributions. The recent Unemployment Insurance Acts have thrown upon the several trades a large obligation to provide unemployed pay for considerable periods of time out of funds subscribed by employer and worker, with a state supplement. War pensions for disabled soldiers (amounting to £90,000,000 per annum) mainly go as additions to working-class family incomes. Six years of relatively high wages with full employment had yielded considerable amounts of working-class savings, largely spent during the past two years of depression. Last, not least, poor-law provision has been made available in out-relief upon a scale of unprecedented magnitude. The enormous increase of local rates on property, due to this last expenditure, is a burning question in our politics. Hitherto the prevailing poor-law policy has refused relief except on workhouse tests to outdoor paupers, and where work has been provided it has been for wages definitely and purposely below the standard rate. Under the pressure of the present unemployment these qualifications have been scrapped, and reckless or tender-hearted boards of guardians have provided relief upon a scale, based on the size of the dependent family, which sometimes exceeds £4 a week, a considerably larger sum than the regular earnings of a fully employed male worker. This policy is, of course, excessively demoralizing, and so costly that it has reduced some towns to virtual bankruptcy. So the finance of local government follows the reckless example of the central government, by a sort of secret sympathy with laxness.

This profusion of public expenditure has up to now bought off dangerous discontent. But there are signs of its exhaustion, and, standing on the brink of winter, we cannot view the prospect without grave alarm. Should the favorable turn of trade continue, and the volume of employment grow with fair rapidity, the trouble may be averted. But this involves a quick and a substantial improvement both of our home and of our foreign markets. Of this double and related progress evidence as yet is

wanting. Business men, supported by some economists, have insisted that a reduction of money, and even of real wages would initiate a boom, arguing upon the false assumption that a fall in cost of production must force a corresponding expansion of markets. This theory has led to a wholesale attack on trade-union standards, and a temporary victory has been won by capital. Considerable reductions in wages have everywhere been made. The latest official statistics show that since the beginning of this year the reduction amounts to about £3,600,000 per week for the 7,500,000 workers who come under this survey. If we raise this sum to £5,000,000 per week to cover the entire body of wage-earners it would indicate a fall of working-class annual income amounting to over £250,000,000. This loss, in its bearing upon working-class expenditure, has, as we see, been compensated hitherto in considerable part out of taxes, rates, and deductions from employers' profits and the wages of employed workers. But all these exactions reduce the purchasing power of those who pay them. The upshot is that the lowered income of the workers carries with it the necessary implication of lowered demand in the home market, unless prices consistently fall with wages, which is by no means always the case. But, even if they do, and wage reductions do not reduce real wages, at any rate they do not enable the worker to stimulate industry by any enhanced demand for commodities. Wage reduction, specious as it seems, does not really help to set the wheels of industry a-going. Of course, it may be said that low consumption by our own population is the necessary condition for that large export trade required to recuperate from war waste, and incidentally to pay our debts to America. We must live poor at home, for a time at any rate, so as to recover our lost foreign trade and effect new foreign investments to replace those we have had to sacrifice! Now, if low wages meant that low costs were enabling us to make such extension of our overseas markets as to keep our capital and labor in full employment, the attack on wages might seem justified. Even the workers might acquiesce for a time in reduced pay, provided it brought full employment. But our attempt to copy in some qualified way the sweating economy to which monetary troubles and external pressure have brought many German trades, has not succeeded in restoring our pre-war foreign trade. Some improvement, indeed, has taken place this year, as the following official figures indicate:

EIGHT MONTHS ENDING AUGUST, 1922, COMPARED WITH THE SAME PERIOD OF 1921

Imports .....	£651,661,405	—£89,147,099	—12 per cent
Exports .....	£472,212,668	+£ 8,798,935	+ 1 per cent
Reexports ....	£ 71,492,083	+£ 2,447,059	+3.5 per cent
Total exports..	£543,704,751	+£11,245,994	+2.1 per cent

When this table is interpreted in the light of the fall of prices the amount of export goods shows up better, while the analysis of the character of our import trade shows that in recent months an increasing proportion takes the form of raw materials, destined later on to swell our exports. But the total volume of our foreign trade still lags far behind our industrial capacity, and a large portion of our mercantile marine is still lying up in idleness. Peace and security in Europe, with some reasonable prospect of an early return to monetary stability, is of course essential to real recovery, and of such sane settlement there seems as yet no clear prospect. The continual postponement of any practicable policy on reparations, together with the recrudescence of trouble in the Near East, has reduced to

negligible size some of our formerly most valuable markets. Everywhere high-tariff walls obstruct the free flow of commerce, and our own new experiment in protection, though it has not as yet gone far, threatens further depredations upon our free-trade economy, unless the Government is overthrown at the general election which must come within the next twelve months. The Urquhart deal with the Russian Government is the one bright spot on the European horizon. Of considerable importance in itself, it is of immense significance as a presage of a saner mind in Russia and here for the economic development of the vast latent resources controlled by the Soviet Government. Everyone, save a few heated politicians, is anxious to establish trade relations on a secure footing with as little regard as possible to political divisions. Productivity and peaceful cooperation between capital and labor are only possible if drastic revisions of the peace treaties, especially in their economic bearings, can be obtained before we drift into some new large war or into a political-financial chaos worse, perhaps, than war itself.

English opinion is not, however, pessimistic; our confidence in our ability to "muddle through" still remains unbroken. If we can get through the coming winter without any great industrial conflict, and can manage the difficult task of making both ends meet on next April's budget, we shall be satisfied. The detailed statement of the public finance of last year, just published, seems to show how this last problem may be solved, assuming some moderate revival of trade and of prices. In the first place, it discloses, under the head of "miscellaneous receipts," a sum of nearly £200,000,000. Though most of this, derived from sales of war stores, will not be available next year, there are repayments of war loans on the part of Allies and dominions amounting to £15,000,000, which indicate a possible further source of income. From the Reparation Commission and sale of German ships and dyestuffs, together with payments under the Reparation Recovery Act, some £43,000,000 were obtained, though most of this will have been expended on our troops in the occupied areas. Again, on the expenditure side, some not inconsiderable reduction in the service of the debt was obtained by a lower cost of interest on Treasury bills. Some other minor, but not negligible, economies, in the payment of interest and capital of war borrowings, may be expected to mature next year. Meanwhile the announcement that our indebtedness to America was reduced last year by nearly £12,000,000, owing to the conversion of dollar bonds into national war bonds, came as a welcome surprise, though it must be borne in mind that it was more than offset by last year's unpaid interest on the body of the loan. In one way and another it may be expected that the Government (unless electing to dissolve before) will be able to produce a specious balance sheet, without increased taxation. That is, however, upon one condition, viz., that some substantial revival of trade is visible, justifying the expectation of larger receipts from customs, excise, and other sources that respond quickly to improving trade and rising values.

*Extracts from Paxton Hibben's unpublished report on his investigations of Russia in 1922 for the American Committee for the Relief of Russian Children will be published in the International Relations Section of The Nation next week. The 1921 report of Mr. Hibben's Russian Committee of the Near East Relief can be obtained from The Nation at 15 cents a copy.*



# These United States—XV\*

## MICHIGAN: The Fordizing of a Pleasant Peninsula

By LEONARD LANSON CLINE

ON the great seal of the State of Michigan, under the woodsy emblems of elk and moose and sunrise over the water, is the legend "Si quaeris peninsulam amoenam, circumspice." If you seek a pleasant peninsula, look about you. There is something pastoral, Arcadian, daisy-and-cress about it. It chimes a gentle angelus. It smells of warm milk in the pail, of new hay in the loft. And one can fairly see the Michigander, sturdy and kindly rustic, standing bare-headed at his hospitable threshold, gazing with a smile of pure and simple content at the hills and flashing lakes and meadows brimming with toadflax and browneyed-Susans.

Actually, it is with quite different sentiments that the Michigander looks about him. If he is a farmer he glooms at his fields, wondering why the devil his son, who has gone to Detroit to work in the factory, doesn't write, and where in hell he can get help for the harvest. If he is a salesman he grins with glee at the billboards stuck up in front of pleasant views wherever paved highways lead; and then, driving on, he ponders whether to go to Yellowstone for his vacation or to Atlantic City. If he is a mechanic he never looks about him at all unless he is on his back under the hood of the car.

Some day some convention of salesmen will agree to a much more appropriate coat-of-arms for the new Michigan. It will picture the lean cheeks and the death's-head smile of Henry Ford, in the halo of a spare tire, flanked by chimneys and flivvers on a ground of soot. Underneath, in place of the stately Latin, will be inscribed the more salesmanlike legend: Always in the Lead.

And yet, Michigan is a pleasant peninsula, or peninsulas, for there are two of them—the only State in the Union boasting a spare part. It is a land of undulating hills, spendthrift in wild-flowers. Save for desolate stretches of cut-over timber land trees abound. On the east lies Huron, on the west Michigan with its yellow dunes, and on the north Superior—blue waters, cold and beautiful. Inland along the courses of many streams are little lakes and ponds estimated at from five thousand to fifteen thousand in number. The older residents love Michigan for these things, but the new find reinforced concrete more gratifying to their eyes; and the new constitute the State.

Before them, in the latter part of the last century, Michigan stood for nothing. It was at the end of its frontier period, with the first impulse wasted and animation low. In 1820 there were less than nine thousand persons in the State. Timber in the Lower Peninsula, copper and iron in the Upper, started an avalanche of immigration. When the forests soon gave out, those with transportation in their pockets

departed, leaving a dozen cretinoid towns huddling around the ruins of their mills, gaping dully at the stumps and naked hills. In 1900 Michigan had a population of 2,420,982, of which more than one-fifth was of alien birth, including large settlements of Poles, Scandinavians, Finns, Germans, Dutch, French, and Italians—in short, a typically American mid-Western State in respect to its foreign-born. The Michiganders were a people without identity, without community of purpose or past, without tradition.

Then Ford.

In twenty years the population swelled to 3,668,412, the increase being almost wholly in the southern cities. Detroit became four times as large as it had been, Lansing four times, Flint eight times. And Michigan is coming to stand for something: mechanics, factory methods, salesmanship, in life as in business, for the two are one.

The Fordizing of the State is not yet complete. Toward the north there is a great deal of bitterness, not unmingled with envy, at the growing domination of Detroit. Nevertheless the thrill of new vigor shoots into every flaccid limb of Michigan. Highways poke like scalpels into the moribund towns of the timber district, and leave garages like new thyroids to give alacrity and bustle. As you come south the cities more and more take on an air of newness, of hardness, of thin varnish, faking up what passes for prettiness, lending themselves to the salesman's glib rehearsal of modern improvements. In Detroit at last you find the consummation of the salesman's ideal.

In the residence districts there are block after block of two- and four-family flats, as alike, as cheap, as ephemeral, as quantitatively produced as the Ford to which they owe their presence. Each has its skimping lawn in front, its back-yard with clothes-lines strung from the stoop of the house to the bleak little flivver-sized garage on the alley. Each is shinily decorated, equipped with laundry chutes, toilet extras, French doors, glued-on ceiling beams in the dining-rooms, gaudily painted glass chandeliers suspended by brass or nickel chains, and built-in bookcases that serve as depositories for anything but books. These dwellings satisfy Detroiters because their desire is not to find something different, but something just like So-and-So's. And what difference does it make that in the winter a stiff gust may blow the carpets from the floors, or that in summer a drenching rain may loosen the ceiling, or that the prepossessing big brick hearth won't draw, or has been built without any means of removing ashes? In the spring one sells one's house and buys another. These places are built not to be lived in, but to be sold. Good salesmanlike dwellings.

In matters of government modern factory methods have been applied generally. The new Detroit quickly adopted a new charter. It replaced the old 42-man council with one of nine members. The old council had at least a sense of humor. The new is grim, sacrosanct, with a Sunday-school tidiness in its habits, but not appreciably more honest or more efficient. The Detroit Citizens' League brought in a crew of energetic young men who have been several years now modernizing the city departments. In spite of a dis-

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This is the fifteenth article in the series entitled These United States. The first was on the State of Kansas by William Allen White (April 19), the second on Maryland by H. L. Mencken (May 3), the third on Mississippi by Beulah Amidon Ratliff (May 17), the fourth on Vermont by Dorothy Canfield Fisher (May 31), the fifth on New Jersey by Edmund Wilson, Jr. (June 14), the sixth on Utah by Murray E. King (June 28), the seventh on South Carolina by Ludwig Lewisohn (July 12), the eighth on Nevada by Anne Martin (July 26), the ninth on Ohio by Sherwood Anderson (August 9), the tenth on Maine by Robert Herrick (August 23), the eleventh on Delaware by Arthur Warner (September 6), the twelfth on Tennessee by E. E. Miller (September 20), the thirteenth on California by George P. West (October 4), and the fourteenth on Wisconsin by Zona Gale (October 18).