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The Organisation of Consumption

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THE ORGANISATION OF CONSUMPTION.

It is a device of economic theory, consecrated by tradition, to construct hypotheses of simple cases, and then gradually to introduce disturbing elements until there is presented a picture bearing a resemblance to actual conditions. This practice is necessary in a science where repeated experiments are impossible; it is employed in certain branches of physiology, when the physiologist applies to man, *mutatis mutandis*, what he has learnt about the frog. It is, however, not always easy to know what allowances should be made under the changed conditions, and in physiology there is another method, equally applicable in economic science. Abnormal cases are made use of in the elucidation of normal conditions. Western civilisation in outlying provinces presents abnormal features; by studying these abnormal varieties we are enabled to understand more clearly the essentials of the healthy type. This method is only a variety of the ordinary economic practice: certain conditions are eliminated, and the problem to be solved assumes manageable proportions; it has, moreover, the advantage of actuality: it is no longer economics in the study but in the laboratory.

Such an analysis brings home to us the importance of the organisation of consumption as a factor of progress, and as a corollary the necessity for adequately treating it in economic theory. I wish to suggest that sufficient stress has not been laid on it in economic writings, to notice a few cases of organisation of consumption in England and then to consider consumption under other circumstances: from this it is possible to outline some conclusions as to the relation between progress and organised consumption.

There is a preliminary difficulty in estimating the attention which it receives at present. Dissociation from economic centres has its advantages, but it carries the drawbacks of its advantages: a bird's-eye view is possible, but it is difficult to keep in touch with the particular; this would only be possible if the latest

economic writings were as readily available in Asia or South Africa or on the Yukon River as they are in Bloomsbury. But there is no organised demand for such articles in these widely separated places; such demand as there is is inefficient, and they are therefore not supplied. It is therefore very possible that there are treatises on the organisation of consumption of which the ordinary student outside Europe remains unaware. But in the English school consumption has never received so much attention as production; more recent writers have not neglected it as an integral part of the formal exposition of their subject, and they have brought into prominence the doctrines of consumer's surplus, marginal utility, under-consumption, elasticity of demand, joint and composite demand. The collective action of consumers as regards light and water also finds incidental mention. There does not, however, seem to be any treatment of the general organisation of consumption in a form available to the student who is neither a specialist nor has access to large libraries. If any such treatment could be found, it might be looked for in the writings of the Socialist school; but if we examine the policy of the Fabian Society we find that in their theory of consumption they are still open to a charge of *laissez faire*. They value "the freedom of the individual to test the social value of new inventions"¹ as highly as Mill valued the freedom of the producer to palm off adulterated goods. They do not emphasise the fact that freedom depends upon organisation in consumption no less than in production. They put forward Socialism as a panacea not for the evils arising from ill-organised consumption, "but only for those produced by defective organisation of industry and by a radically bad distribution of wealth."²

Nevertheless, under normal conditions consumption is as vitally organised as is production, and however much Socialist theory may neglect it, in Socialist practice it is already achieving consciousness. We may take a simple instance: Given a cow and "natural economy," you will probably obtain pure milk; with organised production you will probably obtain watered milk. The individual may resent it, but his only remedy is to change his milkman—and very possibly find one who will add chalk or borax, or may skim the cream. It is only organised consumption that renders pure milk possible; the individual demand is ineffective. In Burma the milk supply is in the hands of natives of India. When an official tours, the Burmans have to give them careful intimation of his importance, so that he shall have milk instead

¹ Fabian Policy: Tract No. 70, par. 8.

² *Ibid.*, par. 14.

of milk and water. They cannot purchase it themselves. To revert to England. Recently there has been great talk about a national theatre. There is a demand for a type of play differing from that in general produced; it is gradually becoming organised and effective. As we extend the range of illustration, we perceive how widely consumption is already organised. A professor of economics, for instance, is a response to an organised demand—it was only the other day that a Burman friend was lamenting the absence of such a chair in Burma; the demand for it is not yet organised—and the *ECONOMIC JOURNAL* is also a product of the organisation of consumption.

We may now consider some features of consumption where the economic conditions are abnormal. If any report of material progress in an outpost of Western civilisation be examined, two matters are almost certain to be mentioned: the native is lazy, the native spends money on useless articles. We see “the West Indian negro using his new freedom and wealth, not to get the means of satisfying new wants, but in idle stagnation that is not rest.”¹ In South Africa, again, reluctance to work is alleged as a characteristic of the native, and made the excuse for the imposition of labour taxes. Yet we find that he imports sardines and golden syrup in increasing quantities.² Similarly as regards the Jamaican, Sir Sidney Ollivier writes: “One cannot but be struck in the West Indies with the comparative insignificance of what the coloured man has learnt industrially from the white. . . . And yet in many respects he has learnt and acquired a great deal . . . he learns, and will learn, the things that he perceives to be for his own advantage.”³ These natives of Jamaica and South Africa still are, or until recently were, savages; and reluctance to work and useless expenditure have been ascribed to barbarism. But in Burma, with which I wish more particularly to deal, the people are not savages; nevertheless, similar allegations are often made, and with considerable truth. It is a commonplace as often uttered by the business man as it is radically untrue that they are lazy workmen; and the absurdity of much of their expenditure could receive ample demonstration. In one house there was found a copy of Zola’s *Paris*, and several other books equally useful to a Burman practically unacquainted with any other language than his mother tongue. In another house there were hat-stands, tables, pier glasses. They had cost many rupees only a little while before,

¹ Marshall, *Principles of Economics*, p. 165.

² *The South African Native*, p. 11, John Murray, 1908.

³ *White Capital and Coloured Labour*, p. 154.

but they had never been used, never cared for, and were already warped by the sun and mouldy from the damp. Nevertheless, the Burman has a definite civilisation; he has a considerable literature. In the eighth century hundreds of his books were sent to the Imperial Library in China, and although there have been periods of progress and decline, there have always been recurring intervals of literary activity; while he had a system of national education at a period when in England writing was a distinction reserved for very few. It is not contended that the literature is of a very high order; there has not been sufficient examination for this to be asserted or denied; but its existence necessitates our recognising him as civilised, apart from any modern veneer. Now, it may be admitted that money-making is an obsession with the modern Burman; but he has other very definite ideals, mainly connected with the Buddhist religion, partly with the Burman race. In connection with these ideals he has wants, but in the great majority of cases these wants are ineffective because they are not organised. It is important to notice that his want to possess things may be satisfied, even satiated, but his wants to do things, his activities, are gratified with difficulty. A very brief consideration will indicate the cause of this. In Burma there are certain articles—paddy, for instance, oil, and timber—desired by people outside Burma. It is necessary, therefore, to give the Burmans something in exchange. The commodities which a man wishes to possess are very much the same the whole world over; the want to do things varies from individual to individual. It is obviously easier to supply him with cheap pier glasses than with professors of Pali. Unless he very strenuously refuses more than a certain quantity of cheap pier glasses and very strenuously demands professors of Pali, it is the former that will be given in exchange for the produce of his country. But the demand for learning must of necessity be an organised demand. It is because consumption is not organised that cheap pier glasses are foisted off on him.

Pure milk has been cited in instance of a response to organised demand. In Burma analogous illustrations may be found. Ground nuts are cultivated to eke out the supply of olive oil in Europe; the refuse is employed as food for cattle. If the shell be ground up together with the nut, there is an increase of about 25 per cent. in bulk. The shell, however, is innutritious. So long as the extraction of the oil was carried on in the ordinary presses, the inclusion of the shell was an imposture that could be detected; trituration was insufficient, and it remained obvious

as gritty particles. Refuse of this nature the cultivator declined to give his cattle. But recent development of the industry has made it profitable for special machinery to be imported, which grinds the shell so fine that the adulteration cannot be ascertained except by chemical examination. This adulterated product is sold for the same price as the pure article. In this case the demand for one commodity is so definite that substitutes are refused; but the demand is not organised sufficiently to be effective if they are cunningly disguised.

It is interesting, and not without practical value, to consider these instances in connection with a classification of wants. For this purpose we may divide them into wants for commodities to support life and wants for commodities to extend life; the latter category may be sub-divided into those for commodities which extend life by being assimilated therewith and those which extend it by incorporation in them. This analysis is not intended to be exhaustively minute, but merely of convenient form and of sufficient accuracy for present considerations. Under each head and sub-head wants may be classified as quantitative and qualitative. Thus, milk is necessary to support life: pure milk is its qualitative modification; the possession of a pier glass is the assimilation of an external object—that it should be beautiful is a qualitative modification; the writing of a book is the incorporation of life with an external object—that it should be a book worth reading is a qualitative modification. These wants may be graded from lowest to highest in the order given. When production is organised, individual demand tends to be effectual only in satisfying the lowest wants; the better article, even a better article of food, is only produced so as to be generally available if the demand for it is so organised as to make it worth producing. For instance, in certain towns in Burma the wood-carving is purchased by tourists from the wood-carvers themselves. The tourist is incapable of distinguishing good work from bad, and there is no premium on good work because there is no organised demand for it. In other towns carving is purchased from the curio dealer, whose profession has developed critical capacities. For bad carving he will only pay a lower price: the demand for good work has been organised. Unless there is an organised demand for the special product there will be no special adaptation in favour of producing it; rather as the better article presumably takes longer time to produce, such specialisation as there is will tend to discourage its production. As we go up the scale of wants we find that it becomes more and

more necessary that consumption should be organised. If there is a demand for English education in which the children are not taught the dogmas of Christianity, considerable organisation is necessary if the demand is to be satisfied.

In the ordinary course of Western civilisation, consumption and production have gone hand in hand. During the past century poverty and the smoke from factory chimneys have sufficiently advertised the organisation of production; the organisation of consumption has been less noticeable to the passer-by, and by very many people has been taken as a matter of course. But we see that it is by no means a matter of course when the ordinary machinery of civilisation is acting under different conditions.

This is a point of some practical importance. The market for cheap pier glasses, after all, is limited; the native of South Africa seems to place limits on his consumption of golden syrup and sardines. The producer of such articles cannot hope to receive much from other countries if he rely on the permanent attraction of his produce. The demand is satiable. Unless the people be cultivated as well as the countryside, there can be no reason for surprise if trade decline because they tire of looking-glasses and at intervals "relapse into idle stagnation that is not rest."

The passage already quoted from Sir Sidney Ollivier's little book suggests that where activities are stimulated this danger is not to be apprehended. In South Africa, again, we read¹ that "In many districts large numbers of European ploughs" have been purchased by the natives. It is true, of course, that the demand for ploughs is capable of satiation; but this, resulting from the stimulation of activity, should in time lead on to further demands. There is another point of interest in this connection. Various theories have been put forward to account for the rise in Indian prices; the failure to stimulate activities may partly be responsible. Rising prices should increase imports; but certainly in parts of India, of which one is Lower Burma, large classes have failed to profit by the rise of prices, there having been coincidentally a fall in wages: the effective demand of these classes has therefore diminished, not increased. The constitution of a committee of inquiry into the cause of the high prices shows that these classes are not inconsiderable. Thus the increase in demand is restricted to a certain proportion of the population. If the wants of this proportion be artificially limited, they will

¹ *The South African Native*, p. 10.

not satisfy new wants, for they have none to satisfy, but they will be ready to pay more highly for the satisfaction of the few wants they have. At the same time the poorer classes will be bound to keep on producing, merely to satisfy the necessities of life. Thus, although there may be an increase in the volume of imports, and a decrease in that of exports, these will not act so readily in bringing down prices as they should in theory, or as they would in less abnormal circumstances. It is not contended that these factors have been acting with the rigidity of this example, but statistics lend support to the thesis that they have had a tendency in maintaining a high level of price. There has been a famine, but "India's purchasing power over foreign goods, during the recent famine, has been greater than at any previous period." At the same time exports have been increasing not only in value but in quantity. Cotton goods are the imports that most affect the poorer classes, but these have "risen a good deal more in value than in quantity." Despite this increase in the imports, the high level of price is unusually maintained. To assign any considerable importance to a tendency of this nature may seem so speculative that it is desirable to enforce the argument by a concrete example. It is a commonplace of Indian economic theory that the high price of land is due to the ordinary purchaser having no other convenient outlet for his capital. This is an illustration of the general limitation of wants, acting in one direction only.¹

It is not, however, the purpose of this essay to enter into a discussion of Indian prices; and the points that have just been considered concern distribution rather than consumption. But if a full analysis could show the hypothesis to be founded upon fact, there might be valuable results, for it would be possible to bring home to the producer with more effect than merely theoretical demonstration the vital relation between his interests and the encouragement of other peoples' activities. The encouragement of new wants is often claimed as the function of Western civilisation in outlying countries, but in this statement there is a confusion between wants to possess things and wants to do things which Mill avoided in his first enunciation of the proposition. Such wants can be satiated; activities are insatiable; it is the organisation of the latter that is necessary. At present it is nobody's business to facilitate this organisation. It cannot be undertaken by the State, for it is incompatible with

¹ For this and subsequent extracts relating to progress and imports, see *ECONOMIC JOURNAL*, March, 1909, "Recent Economic Events in India."

the necessarily *laissez-faire* administration of the bureaucratic government obtaining in tropical dependencies and colonies. Production has been organised both in East and West, but in the latter consumption has been neglected.

In this lies a danger to Western civilisation; and this is the ultimate basis of many of the objections to it on the part of those peoples who receive its benefits unwillingly. The test of civilisation is the growth not of new wants but of new activities, and these are not fostered by organised production. If progress is to reach beyond a certain point, it is the organisation of consumption for which there must be an organised demand.

J. S. FURNIVALL