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LABOUR PROBLEMS.

by THÉO CHOPARD.

"Some people say 'yes', and some people say 'no', as for me, I say both yes and no" observed Sganarelle, a Character out of one of Molière's plays. And, that is probably the reply that he would make, if he were asked his opinion about the hire-purchase system. This system, as you know, is spreading to a very considerable extent. Whereas some people see in it, merely a new way of getting into debt — which is always a bad thing in their opinion — others see in it a new method of financing consumption and of ensuring a steady expansion of production, of employment and of prosperity. Whereas the adversaries of the hire-purchase system see in its prodigious development the danger of a crisis, its partisans consider it to be a kind of *perpetuum mobile* of economy. Its adversaries say that it is savings, which are swallowed up in advance, whilst its partisans affirm that it constitutes long term savings. As for me, like Sganarelle, I would say both yes and no. The hire-purchase system possesses both positive and negative aspects. There are two sides to the medal. First of all, it would be vain to attempt to condemn this system absolutely. It has become a reality, and reality does not care one jot for the condemnations of the philosophers. The hire-purchase system is one economic factor among many others, which must be disciplined in the same way as the others. It is evident that its development is connected with the constant increase in capacities of production and the mass production of many articles which only yesterday figured among the luxury products reserved for a tiny minority. One need only think of motor cars, of labour saving machines for the household, of radio, of television and even of trips by air. Present day social conceptions no longer tolerate any "aristocracy" in consumption. The tendency towards an equalisation of incomes is, the expression of a society that is tending to become classless. The advocates of the hire-purchase system consider that by making it possible for persons belonging to the lower income bracket to procure for themselves goods which, formerly, were reserved solely for the use of the wealthy, this system is contributing towards the elimination, in an essential manner, of social resentments. This argument is not lacking in value. In any case, it is certain that purchases made on the instalment plan would never have taken on such an extension, had they not corresponded to a real necessity. It is an acknowledged fact that both the volume and the diversity of production have increased more rapidly than the purchasing power of the masses. Full employment, however, can only be maintained if this growing production can be marketed. The incomes derived from labour being, as they are, adapted too slowly to this increase in supply, purchases on the instalment plan contribute towards re-establishing the balance between supply and demand. Thus, this system fulfils an indispensable economic and social function. Today, in the United States, purchases on the instalment plan absorb ten per cent and more of the income of the working classes. This portion of their income is affected regularly to the consumption of certain products. The ensuing regularity of consumption ensures the stability of an entire branch of economy and, con-

sequently, of economy as a whole. The hire-purchase system possesses another social aspect. It makes it possible for small earners to escape from the consequences of the progressive depreciation of money, which would appear to accompany industrial progress. It is the popular classes who generally have to suffer from such depreciation of money. In the case of goods bought on the hire-purchase system, i.e. goods that are being paid for long after they have been delivered, and of which the price does not change, it is the manufacturers and the middlemen who suffer from the results of such depreciation. Here, the roles are reversed. Purchases on the instalment plan represent, in a way, an insurance against higher prices. Thus, so long as purchases on the instalment plan remain within certain limits and do not absorb an excessive portion of the income, they possess a positive side which is in noway negligible. At the same time, this system implies, publicity helping, the danger of inciting consumers to spend more money than their means allow; for a great many persons this system is, unquestionably, prejudicial to their feeling of responsibility. It may, also, produce a dangerous industrial euphoria. The American and the British motor-car industry are now passing through a phase of over-production. The inflation which has occurred in demand, caused to a great extent by purchases on the instalment plan — which represents as much as 60 per cent of the sales — has induced the industry to increase its production to an exaggerated extent. This shows that, in spite of the optimists, fluctuations in economic activities and unemployment still remain possible. The consumers, whose incomes would then grow smaller, would still have to continue to meet the obligations they had contracted; this they could only do, however, to the detriment of their incompressible vital expenditure, in respect of food, clothing, education, etc. This shows that everyone must go in for moderation. The producers and the middlemen, who are the first to denounce the over-heating of the economic machine, should have sufficient wisdom to control, themselves, any exaggerated development of the hire-purchase system, in order that its positive aspects may continue to prevail over its negative aspects.

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