SUPPLY AND DEMAND.

By DANIEL DE LEON

“SUPPLY follows Demand”—so runs the maxim of capitalist economics. It fares with this maxim as with all other maxims spun in the intellectual mill of Usurpation—facts knock it out, and in knocking it out disclose that other half and most important part of the truth which the mention of the first part is designed to conceal.

The capitalist does not sail in for the pleasure of producing. No special liking for this or that branch determines his choice. He is after profits. If calico will yield larger returns than shoes, he takes to calico; if manure is more promising of profits than either calico or shoes, he gladly becomes a Manure Prince. “Profits” being the burden of the capitalist’s song he will conduct affairs with an eye single to profits. At the start of his career there lies just one method palpably open. It is the method of increased production, in keeping with the demand. If 10 bales of calico, or boxes of shoes, or loads of manure will fetch him $1,000, then 100 bales of calico, or boxes of shoes, or loads of manure will fetch him ten times as much. If there is a demand for the goods, an obvious way of multiplying his profits is to multiply his supply. At that stage of the game the maxim “Supply follows Demand” is true. But that stage of the game is not a permanent one, nor is it the last.

At the next, at any rate, the culminating, stage of the game, the maxim is substantially reversed. That stage of the game sets in when the capitalist has reached the monopoly point. When, through combination, trustification or any such other process of concentration, the capitalist has reached the point that the capital required to produce, and to bribe Executives, Legislatures and Judiciaries, is so large that he can beat down, or, if necessary, burn down competitors, then supply no longer follows demand; then supply is HELD DOWN BELOW DEMAND. The reason of it is the same that, at the first stage, pricked supply to increase—the
craving after profits. Altered conditions alter methods. When competition still exists, the larger the sales the larger the profits; after competition has been throttled, profits may soar regardless of the number of sales. Obviously, 5 bales of calico, or boxes of shoes, or loads of manure can fetch as large a profit as 10 bales—provided the price rises: 5 bales, boxes or loads at $20.50 will fetch more than 10 bales at $10. Moreover, the reduced expense of production leaves a still larger margin for profits.

“Supply follows Demand” only when by increasing the supply the profits will swell; just so soon as the profits can swell by a policy of restricting supply, then the maxim is inverted and reads: “Supply is held down below demand.” Then sets in the period when, despite bounteous crops of peaches and fruit, and an unbounded demand, large loads are dumped overboard, then sets in the period when, all demand to the contrary, the supply of coal is kept down. Then in short, sets in the period when the motto is: “To hell with demand! Prices must be ‘steadied’!”—All of which lays bare the true, square-jointed maxim. It is this: “Under capitalism, Supply follows or lags behind Demand according as Profits may be swelled by an increase or a relative decrease of Supply,” or, in shorter form: “Not Demand but Profits control Supply.”

This important fact Usurpation tries to conceal. Under capitalism the productive powers of the Nation are not made to subserve the Nation’s well-being, they are made to subserve the well-being of the capitalist class—and that is equivalent to saying the pauperization and degradation of the people.