The

ROMANCE OF REALITY

by

LEONARD E. READ

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To LEONARD, Jr., and JIMMIE
"... God and Nature have ordained the chances and conditions of life on earth once for all. The case cannot be reopened. We cannot get a revision of the laws of human life. We are absolutely shut up to the need and duty, if we would learn how to live happily, of investigating the laws of Nature, and deducing the rules of right living in the world as it is. These are very wearisome and commonplace tasks. They consist in labor and self-denial repeated over and over again in learning and doing."

—William Graham Sumner

“But he that knew not, and did not commit things worthy of stripes, shall be beaten with few stripes. For unto whomsoever much is given, of him shall much be required; and to whom men have committed much, of him they will ask the more.”
PREFACE

That this work, from the standpoint of my motives, experiences, education and general background, may, to the unacquainted, be disrobed of the mysteries usual to anonymity, permit me the confessions of this preface.

I am thirty-eight. I have two sons, twelve and fifteen, for whom I desire an America of opportunity. However, my observations of current trends, made clearer than otherwise possible because of the nature of my work, leave me with some apprehensions as to what the future holds for Leonard, Jr., and Jimmie.

My background is a common one. Born on a Michigan farm near a little Irish-settled village, my boyhood was spent amidst the exacting necessities of people in our moderate circumstances. Disciplined in hard work, educated in reading, writing and arithmetic, I entered the era of responsibility at the early age of eleven upon the death of my father.

Up at four in the morning, milking cows, cleaning stables and general farm chores, I found time to run down to Fish Creek to inspect my traps. A hasty breakfast, to the village general store at eight to sweep out and arrange stock, school at nine,
away from there at four to more chores, supper and to the store again until it closed at nine. Romance? More than any pampered millionaire's son—I loved it!

1917 and War! Away I went—to England, Scotland, Ireland, France, Germany. Was on the "Tuscania"—it sank! Nearly two years over there, in the air service. Flyer? No, just a mechanic and only a private.

Back to America in '19. Disillusioned? Not a bit. Went to work—first insurance, then as cashier in a factory. Then into the wholesale produce business—on a "shoestring" and knowing little about it. Worked like the devil, two in the morning until six at night. Six years of fight, a two-fisted business, that game. Romance? Plenty. A home, car, radio and I'm a man with a family. Went broke. Sold home, car, everything to liquidate with honest decency. Learned something about business from that.

Discouraged? No. That word wasn't taught to Wolverine farm boys, then. Took the next train to California. Went to work first day selling real estate on commission. Did it a year—made a living.

Always trying something about which I knew nothing. Accepted secretaryship Burlingame Chamber of Commerce. Made fair record and was given better position at Palo Alto. Was offered, and accepted, position as assistant manager, Western
Division, Chamber of Commerce of the United States. For more than four years now I have been Manager of that Division.

Little significance to all of this except it does indicate that opportunity was open to me. It suggests the results of work—27 consecutive years with a job of some kind—romance in all of it. That’s the kind of chance I want for my boys.

The present drift of political and economic currents, as I see them, portends disaster. No particular class of citizens—labor, business, politics, agriculture—seems to have a monopoly on social vice or economic virtue, but a direction away from true American liberalism or, more precisely, liberalism as I will presently define it, seems evident among all classes.

The problem, “Impoverishment in the Midst of Plenty,” on which I propose to offer some ideas, is one which I have a driving passion to solve, at least to find a formula by which it may be solved. We have come nearer to a solution in America than anywhere else. At times we were “warm” but apparently there has been no unanimity of opinion as to why we ever came even close to a solution.

Thus, the objective of this effort, like that ascribed to the collectivists, is worthy and lofty. But the method? Ah, there is the catch—the method. Solutions have ranged everywhere from the Single Tax to the Townsend Plan, the objective in each
case being worthy. Nothing as automatic or as easy here. Rather the idea calls for the general practice of some difficult human virtues. The thesis is reactionary because it calls for reality. It is radical because it demands an overthrow of present indulgences. To the stickler for labels, what does that make me?

Such flaws as the reader notes can be blamed on my own thinking and on my inadequate ability to express ideas which, to say the least, are complicated. A few lines, here and there, have been lifted bodily from some speech or book. For instance, the quotation from "Iolanthe" appearing at the beginning of the first chapter, and the term "politically-managed labels" on the same page, represent pure plagiarism. They were taken from Mr. Nock's article appearing in the October, 1936, issue of the Atlantic Monthly.

While I believe my general idea of identifying some of our behaviors as either promotive or subversive to the factor that makes for a wider diffusion of wealth to the population to be a good one, I fully recognize my shortcomings in detailing those behaviors. That is a field that should be reserved for, and incidentally undertaken by, the competent philosophers and economists. It is one of the compelling necessities of the moment.

This work merely represents a serious attempt at "thinking through" by one whose formal educa-
tion contributed little to such processes. Quite naturally, such thinking results in many rough edges, which I hope the more skilled will tolerantly indulge for the sake of the broader argument.

The broader argument contends there is a definable factor which, if promoted, will tend to do away with poverty and unemployment and, conversely, if subverted, will tend to destroy the possibility of more goods and more services for more people. It is really an argument on the problem of wealth, approached in a different manner than is customary.

Time and again I did mental stumbles into economic blind alleys. When I had the wisdom to recognize my position and the good sense to admit my predicament, such friends as W. C. Mullendore, Professor Thomas Nixon Carver, Dr. George L. Hoxie, Philip J. Fay and James Mussatti came to the rescue. But in giving them much deserved credit, let no blame attach to their persons for my mistakes. A hesitancy to admit difficulties and a stubbornness to proposals from whatever source, have combined to keep this work a distinctly personal and therefore a highly fallible effort. But there is a theme here for which even I, in my humility, will make no apology.

—Leonard E. Read
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THE ROMANCE OF REALITY
CHAPTER I

DEBUNKING THE LABELS

"I often think it comical
   How nature always does contrive
That every boy and every gal
   That's born into this world alive,
Is either a little Liberal
   Or else a little Conservative."
    —W. S. GILBERT, Iolanthe *

What a verse that rollicking fun artist could write today! To Liberal and Conservative he would have to add Radical, Reactionary and Progressive. Not that these labels did not exist when this verse was written—they did. But they hardly possessed the wide application or the confusion of meaning they do today. Nor were they so tangled among Democratic, Republican, New Deal, Red, Pink, Communistic, Socialistic and Fascist.

No sober discussion of public questions is possible at this time without first clearing the thinking atmosphere of these politically managed labels.* Few thoughts of others are accepted without first comparing colors, labels or isms. If these do not match, then the projector of a thought is obviously steeped in prejudice—he is a tool of the "interests" or of the masses—or he is, as one Wash-

* See Preface.
ingtonian has said, "just too damn dumb."

Perhaps if everyone, sporting a particular color, label or ism, had an exact and corresponding political or economic philosophy, we could readily grade the profundity of all utterance. But, alas, that is far from the case. If what Gilbert thought was comical, then what we are experiencing is the extreme of ludicrous burlesque.

By their opponents, New Dealers are called socialistic, red, pink, communistic, radical, and oftentimes reactionary. They call themselves liberal, progressive and, if appealing to business men, conservative. A Democrat may be a New Dealer or he may be a "Jeffersonian," which has popularly come to mean just the opposite. A Republican may be a New Dealer or just the opposite also. If he is the opposite, he calls himself a conservative, if he wants election to office he is too liberal to be a conservative or, if he wants office badly enough, he may even confess to being a progressive. To a New Dealer, an anti-New Deal Republican is at best a reactionary, shrinking from there on to a Tory, an unreconstructed Tory, an Economic Royalist; or he may be so low as to be termed a "tool of entrenched greed." It is just one beautiful mess of brotherly love and affection.

What chance has logic against these head-winds of hate? To criticize one's government is to invite oneself before the firing squads of the literary
mercenaries. To sponsor or defend an economic principle to which current passions may be opposed is to ask for the dunce cap of an odious label. *Can this be designed to encourage free discussion and individual interest in state matters upon which the success of our form of government is supposed to be predicated?*

Labels, however, can be untangled. It might be possible to give some vague meaning to them as they are presently used, but that would be to little avail for their meanings change as regularly as the sun sets. New meanings are given to any label when a change will serve a political purpose. Conclusion: we are the dupes of a politically managed glossary.

Only the literal meanings can be classified. Such classification is useful mainly to understand the reasons for the present distortions. Who likes to be called a **Reactionary**? And to be dubbed a **Conservative** has sadly become just a shade less noxious. But to be called a **Liberal** is glorious! And why should it not be? Let us examine a few of these terms and see if we can unearth some of the reasons for these word distortions.

Liberalism as a movement was born when the Magna Charta was exacted from King John at Runnymede over seven centuries ago. It was born of an era when governments were characterized by their despotism and economic practices lived under feudalism. This liberal movement, liberal because
it was aimed at the liberalization of the individual from government coercion, progressed slowly but surely and, step by step, over a period of five centuries, drew nearer to its ultimate realization—the American form of constitutional government and its relation to and observation of natural economic law. Thus was experienced a complete transition from the philosophy that the individual is the servant of the state to the American philosophy that the state is but the instrument and the servant of the individual. No small wonder then that the title Liberal is so avidly sought by political self-seekers whether they are liberals or not. Because of the centuries-old struggle for individual freedom which was Liberalism and which blossomed into full bloom as America, it is, of course, the smart thing to sail one's political ship under the liberal banner irrespective of its philosophical cargo. In these United States it is just good vote-getting flypaper.

A Radical is one who desires to uproot something. If he wants to uproot liberty he is anything but liberal. The liberal movement from the Magna Charta to The Bill of Rights was radical because it was a movement to uproot despotism, centralized political control and coercive economic practices. Therefore, as Liberal became synonymous with desirable political and economic movements, so, to the unanalytical, the term Radical—because of its
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age-old association with Liberal—has become synonymous with Liberal.

Present-day radicals have wrongly appropriated the word Liberal. Present-day radicals are bent on uprooting liberalism. They seek constitutional amendments so that bureaucracy, centralized governmental and economic control—the very essence of despotism—may be substituted for individual self-management and local self-government—the very essence of liberalism.

Reactionary means ultraconservative. As presently defined, it would mean a return to everything that characterized our practices and ways prior to the 1929 debacle, good and bad. Back in King John's time it would have meant a return to all the practices of despotism and of feudalism, good and bad. However, it can have a narrower definition: a reaction against a contemporary event or events. Thus, a reactionary could be either a liberal or a conservative or, as pointed out later, both.

A Conservative is one who desires to conserve something. If he wants to conserve liberty he is both a conservative and a liberal. If he wants to conserve a coercive system of government he is both a conservative and a coercionist, the opposite of a liberal. A conservative is one who wants to conserve the best of the old order and who is not in sympathy with radical movements. Like Radicalism its meaning in relation to liberalism has be-
come just the opposite of what it once was. The conservative of King John's time did not believe in the liberal movement but rather wanted to conserve the best of the coercive monarchical government and the regimented feudal system. The conservative of today does not believe in the trend of the radicals back to centralized control or extreme government interference, which is the modern counterpart for the monarchical government and the feudal system against which our forefathers fought; but rather insists on conserving liberalism and the best of the order which found liberalism at its fullest.

Thus today, a conservative is a liberal and what a radical once was; that is, he is fighting to conserve what the radical once fought to achieve. A radical today is no longer a liberal but what a conservative once was. He is fighting to achieve what the conservatives of old were trying then to conserve. If the contemporary radical is attempting to revive the best in dictatorships or centralized authoritarian governments, then we may well let him off with the not too complimentary title of a "horse and chariot" conservative; that is, if "horse and chariot" properly implies a conservative of seven hundred years ago.

Those confusions, however much they may be caused from a misunderstanding of definitions, have their base in something deeper, perhaps in
mass emotions, kindled, fired and fanned into devastating flames by the honeyed words, the cherubic smiles, the fantastic romanticism and the soul-stirring oratory of politicians whose behavior is too far removed from statesmanship.

These intriguing demagogues, by the subtle device of basking under self-made halos of liberalism and humanism, have been largely responsible for the popular and false assumption that righteousness and radicalism belong one to the other, that radical thought has a monopoly on virtue. That devilish device is still useful simply because the public mind, as yet, has not erased the indelible impression gained by a five-century association of the terms Radical and Liberal with humanism and everything else that was directed toward the public interest. The public mind has not yet dissociated Radical and Liberal. It has not yet perceived that these once synonymous terms are now antithetical terms.

A radical states his social objectives and, because they smack of righteousness and are generally acceptable, the masses too often leap to the indefensible conclusion that the methods proposed are equally efficacious. As a result of all this, i.e., the false association of Radical and Liberal and the false association of Liberal and Righteousness, the term Liberal has popularly lost much of its true meaning. There has developed the peculiar
notion that Liberal, as today misapplied, is a synonym of virtue, moral rectitude, nobleness of intention and purity of character, and that Conservative is synonymous with an evil course, immoral intent, inhuman practices and economic privilege. The radicals and the demagogues have done a good job of foisting their designs on the gullible public, of perverting the English language to their own ends.

It is not considered merely conservative but actually reactionary to favor a balanced budget, to argue for tax reduction, to urge thrift, to defend individual liberty, to protect the fundamentals of the Constitution, to demand the sanctity of contracts or to insist on a stable currency. To support the Constitution was once considered patriotic—it is now partisan.

It is not considered radical but rather liberal to seek inflation, to abrogate individual rights, to usurp federally the prerogatives of local self-government, to spend beyond our capacity to pay, to peg prices artificially, to build bureaucracy, to stimulate class prejudices, and it is simply extremely liberal to advocate a Townsend Plan or a Share-the-Wealth scheme.

This misconception and mal-association of terms has developed many evils, not the least of which has been a serious destruction of faith in our re-
sponsible and competent leadership. The mere opposition of any measure which has been radically-labeled Liberal is of itself sufficient to nullify, in the public mind, experienced views of an opposer. Must not this oppositionist be a reactionary and therefore his aims inconsistent with the goal of the "new order"? Without reasoning through the separate measures, superficial conclusions are hastily accepted. Such an oppositionist, so it is thought, cannot possibly be thinking of the human side, cannot be thinking of society in general. Have his opponents not stated or at least implied publicly and oratorically that they are the sole possessors of such Christian qualities and ideals? Have his opponents not called him dishonest and earmarked him as among the "money changers to be driven from the temple"? Has he not been publicly and officially generalized as a culprit? He has no sympathy except for himself, why should his advice be heeded?

So runs the argument and on its face it is correct if the ministrations of some of our public officials are considered impeccable. But are they? Let us diagnose this person who dares not claim the liberal label and who by the radicals and self-styled liberals is called a reactionary in a voice that breathes of blasphemy.

In the first place this person may be a conserva-
tive because he wishes to conserve liberalism and the best of that order. He may be a conservative because he is opposed to the radicals who would uproot liberalism and take us once again to centralized, coercive and despotic governmental and economic control. He is not of necessity a reactionary because he may not wish to preserve the bad practices that grew up under liberalism. Is it not conceivable that he may want those eliminated? More likely than not, he is not among that small fractional per cent whose livelihood is gained by the “vulturing” of others. No doubt he is the first to want the elimination of vicious, immoral and unethical practices, but he would not burn down the stately mansion to kill the rats. He is properly a liberal for precisely the same reason he is a conservative.

As stated in the preface, the writer has confessed to being a reactionary on one matter, a radical on another. Certainly, he believes himself to be a liberal and there are aspects of our former economy he wishes to conserve, thus giving him the tag of conservative. He wants a new deal from what we are now getting but he looks in vain through the whole roster of party politics for an enunciation of principles he can wholeheartedly support.

The throwing off of these political fetters clears the atmosphere. There is room to think—to approach our problem objectively and without an
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inherited prejudice. The discussion, however, must not be dispassionate. It would hardly be decent for an American to be calm when he speaks of his country and thinks of the times.
CHAPTER II

THE NATURE OF THE PROBLEM

The present unrest in America, differing from unrest on other occasions in this and other countries, is not a religious issue. There is no conflict between the Church and the State. It is not a moral issue, at least in the broad sense. The chief public concern is not about prohibition, the gaming tables, Sunday baseball or individual immorality. Nor basically, is it a political issue, although it is rapidly becoming one.

The issue is one of an economic character. The people are not uneasy because they desire more religion, better morals or a different political system. They are uneasy because the desire for goods and services, for material things, for wealth, so notoriously exceeds their satisfactions. Many politicians promise more economic satisfactions under a different political order. If they, the people, can be made to believe this, then a different political order is inevitable, whether or not eventually it will increase satisfactions. Merely make 'em believe it!

This desire, fanned into a white heat, encouraged by demagogues who have mistaken their neuroses for mentality, will take almost any avenue
that promises satisfaction. It is a safe wager if a new religion came along promising economic bounty, that it would get tens of thousands of clamoring converts. And some churchmen are obviously aware of this fact. Witness the church support given consumer cooperatives.

The fact that more desires are more nearly fulfilled in this country, even under our present strained conditions, than any other country at any other time, offers little solace and in no fashion tends to temper this headlong rush for more things for more people.

Unearthing the exact reasons for this unprecedented insatiability is not so easy. For one thing, human desires are unlimited. Kings, centuries ago, lived in a squalor, a filth hard to imagine today. Our poor do not, nor would we have them, seek satisfaction by such ugly comparisons. Rather they compare their position with their contemporaries better provisioned. Discontent, arising from this cause, will be eternally evident for there is no system that ever has or ever will give material equality.

No discussion of this subject would be complete without at least quoting from Ortega y Gasset's excellent work, "The Revolt of the Masses": *

"... The world which surrounds the new man from his birth does not compel him to limit himself in

any fashion, it sets up no veto in opposition to him, on the contrary, it incites his appetite, which in principle can increase indefinitely. Now it turns out—and this is most important, that this world of the XIXth and early XXth centuries not only has the perfections and the completeness which it actually possesses, but furthermore suggests to those who dwell in it the radical assurance that tomorrow it will be still richer, ampler, more perfect, as if it enjoyed a spontaneous, inexhaustible power of increase. Even today, in spite of some signs which are making a tiny breach in that faith, even today, there are few men who doubt that motor cars will in five years' time be more comfortable and cheaper than today. They believe in this as they believe the sun will rise in the morning. The metaphor is an exact one. For, in fact, the common man, finding himself in a world so excellent, technically and socially, believes it has been produced by nature, and never thinks of the personal efforts of highly endowed individuals which the creation of this new world presupposed. Still less will he admit the notion that all these facilities still require the support of certain difficult human virtues, the least failure of which would cause the rapid disappearance of the whole magnificent edifice.”

Certainly, the voice of the demagogue, who depends for his political ascendency upon existing discontent, or discontent he can create, has reached the ears of millions through the radio. In pre-radio days that type of person got little more than soapbox hearing, principally because he, with his nitwit ideas could never make enough money to get
himself beyond city parks. In those days the man who couldn’t look after himself had little chance of promising many others how well he could look after them. But today, if he doesn’t get free time on the air, his followers will ante enough two-bit pieces to assure the American public of his Messianic message. The radio has brought many blessings to many people, but assuredly it has made a long-standing chronic problem a most acute one.

No doubt the motion picture is the radio’s able ally. Here again, millions, day in and day out, perhaps on a bare subsistence level, seat themselves in comfortable palaces and gaze at wealth unbounded, at extravagant luxury, at playboys and playgirls in security. What man, even in the ten-thousand-dollar class, has not come away from the cinema with a deep-seated yearning for something common sense dictates is beyond his grasp? What then about the man with a family—a man without a job? For two hours he rides the magic carpet, he is the hero in all his glory—momentarily happy. Time comes to leave this “Aladdin’s Wonder.” He walks from there into the world of stark reality. The contrast is appalling. He will have the things he wants and turns to the quack with the most glowing promises. Is it any wonder there exists such an unaccomplishable distance between desire and realization?

Yet, in the final analysis, these scientific achieve-
ments, the radio and the motion picture, modern transportation and many others for that matter, are blessings in disguise, even in respect to this problem of excessive desires. They have aggravated and therefore brought into better perspective an ailment we had with us anyway. They have assisted in bringing into the crisis stage a lingering economic sickness. This crisis stage should stimulate the better minds to consultation. The quacks may lose their lucrative practice. Some of the better citizens may be jarred from their confounded apathy—they may realize, once again, that the price of liberty, of individual rights, of representative government, is eternal vigilance. They may discard with the relics of intoxicated days that nitwitticism, “Let George Do It.”

While no economic system is possible or perhaps desirable that will completely satisfy all the desires of everyone, competent and incompetent alike, it is an obvious fact that we are flagrantly inferior to our potential achievements. And it is equally obvious that present trends are taking us deeper and deeper into the morass of national difficulty.

A national well-being could not help result from a proper mixture of a friendly climate, a productive soil, an abundance of natural and labor resources and human intelligence. Nature has been kind—more than generous—for we have the climate, the soil and the resources. The deficiency then, must
be intelligence. It is a damning indictment that there should ever be prolonged want on the part of willing and able-bodied workers amid such favorable conditions. The price of stupidity and apathy is indeed high.

It was stated earlier that on occasion we had been "warm" in tagging the age-long objective of plenty, but that there never has been any unanimity of opinion as to the method of approach.

Were we not "warm" some years ago when a commission of Europeans came to this country to study our conditions? Here are some of the findings of that commission:

1. Seven per cent of the people in the whole world living in the United States under the American plan had more purchasing power than all of Europe.
2. This little group has created and owned more than half the wealth of the world.
3. From only 6 per cent of the world's acreage we harvested more than half of the world's foodstuffs.
4. We have half of the world's communicating facilities.
5. We have nearly half the world's railway and electric energy.
6. We produce 92 per cent of the world's automobiles.
7. We have 22,000,000 automobiles in use that run over 600,000 miles of paved road.
8. This little 7 per cent of the world's population enjoyed standards of living which enabled them to consume:
   a. Half the world's coffee.
b. Half the world’s rubber.
c. Three-fourths the world’s silk.
d. One-third the world’s coal.
e. Two-thirds the world’s crude oil.

Is it not possible that there is some factor in our system that is responsible for this approach to a national plenty? Perhaps we think it is one thing when it really is something none of us identify. What is this “X” factor, this mystery factor? Is not a search for it advisable? Would not that be preferable to tossing the whole system out the window and substituting for it some foreign system, in which perhaps this “X” factor cannot possibly exist? It is quite evident the Europeans came here to discover the “X” factor, but it is equally evident that they went away with a lot of statistics of our wealth, which is about all most of us know about it.

The main purpose of this thesis will be to restate the “X” factor. It is no secret. It has been explained and re-explained but perhaps not in a grammar that caught the imagination. People interested in the problem have gone right by it, trying to find a complicated solution.

Our picture today is something like this:

We have an abundance of investment money but what power can force business to use it unless business can sell the goods it would produce?

We have fine instruments of production—factories
and farms—but why produce something that will not be bought?

We have millions of able people out of work and seeking employment but can anyone hire them to produce goods for which there is no market?

We have a wealth of natural resources, but again there is no market for their harvesting.

We have millions of people who need goods but they have no purchasing power.

There is our problem—"Impoverishment in the Midst of Plenty." All of the instruments for the solution are available. What is the key to the puzzle? What is the "X" factor?

The forces of discontent, the radicals who are trying to change completely or seriously modify our social and economic order, are by no means confined to the impoverished. Nor are the impoverished, by any means, all in radical groupings. People in those groupings have a wide variety of incentives for their position:

Those who feel they can gain power superior to what they now possess by identifying themselves as friends of the poor.

Those who sincerely sympathize with the needy but have only fuzzy ideas of the remedial measures to be taken.

Those who, in the $250, $500 or $1000 monthly income class, feel that the present order does not sufficiently reward their abilities.

Those who have developed a passionate fetish for some form of socialism or other Europeanism or, in
short, the Totalitarian State.

Those who feel that the laws of nature, of economics, of competition are cruel and inhuman and that they can devise an order that is better than that of the universe.

Finally,

Those who are really impoverished—who feel that any change, irrespective of its character, can do them no harm. They have, they think, everything to gain and nothing to lose.

Needless to relate, the last grouping serves as the nucleus around which the others build their case. It is the larder from which they get their emotional sustenance. It is the ember from which their fire is fanned. Impoverishment, in toto, can never be removed. Too many factors, other than economic behavior, have partial control. But the economic barriers can be removed; that is, it is scientifically possible. Once removed, impoverishment will be so inconsiderable that the forces of discontent* should go the way of the swarming locust when the sources favorable to breeding no longer exist.

* This statement requires some qualification. Material discontent is caused by the lag between growing desires and supplied satisfactions. Discontent could conceivably get seriously worse under the most rampant prosperity, that is, should desires expand more rapidly than the prosperity. Many long periods among many poverty-stricken peoples have witnessed far less discontent than one observes in America today.
CHAPTER III

THE "X" FACTOR

Under our form of government we count, we do not weigh, opinion. The fact, therefore, that a certain sound principle may long be recognized as such by an economic-informed few is of little consequence. If the majority is wrong in its thinking, then the direction of the whole is more than likely to be equally wrong.

An important point around which there is much popular confusion is the distinction between price levels and costs. Popular reasoning: "When times have been prosperous, prices have been high. Therefore, the way to make times good again is to force prices up to a former prosperity level." A perfect analogy of this type of thinking: "When I was rich I bought a Rolls Royce and took a trip around the world. Now that I am poor, I should, in order to be rich again, buy another Rolls Royce and re-circle the globe."

Price-level changes mean little except disadvantage to the average man. His wages have a tendency to go down with prices—they go up slower than prices. On the whole, however, price levels are fairly meaningless. Prices are high—wages are
high, or prices are low—wages are low. We merely change the figures with which we deal. After all is said and done, following a price level rise, we get no more loaves of bread for a day’s labor than before. During the boom years, a favorite American pastime was to mark all goods up and call ourselves rich.

But cost is something else again. If we can buy sixty loaves of bread instead of thirty for a day’s labor, our capacity to acquire wealth is thereby doubled. Such increased capacity to acquire wealth can be accomplished by a sufficient reduction in the cost of the production and distribution of bread. Therefore, the ability to lower the costs of production and distribution of goods and services, which are the only things that compose wealth, is the paramount requirement in any design of more things for more people. The “X” factor, then, begins to take shape. It can be gradually discerned. Here it is in sharp definition:

The “X” factor is a combination of:

1. The ability to reduce costs;
2. The ability to organize idle labor, land and capital to produce additional goods and services.
3. The free play of forces that compel an exercise of these abilities.

Upon the promotion of this factor depends the extent to which more goods and services will be
available to more people. Upon the subversion of this factor depends the extent to which impoverishment will exist in the midst of plenty.

The subsequent discussions of government, business, labor and other groups and forces will be confined to their behavior as they promote or subvert this factor. Assuredly, that is a justifiable basis for criticism or approbation of any action. If we can identify some of the major activities and principles that are either promotive or subversive, we will at least have contributed to the decline of befuddlement.

Should we determine the proper direction in regaining the road of economic progress and should we develop some unanimity of opinion as to the correctness of that direction, it is conceivable we might go in that direction. Certainly, no progress is remotely possible unless we first find the road to take and, second, get enough people to agree to take it. Ordinarily, to get ourselves out of difficulties, we would not need to identify a course of action and then get a lot of people to subscribe to it. Natural forces, normally, could be relied upon to do the job better and quicker than any human design. But we have encumbered natural processes with too many artificialities to place any reliance on their healing our present situation in a sufficiently short time. If we are again to witness progress during our generation, it will be necessary for
man to disencumber that which he has encumbered. Such a recommendation is plainly reactionary, but it is a type of reaction that is profoundly human.

*An Example of "X" Factor Subversion*

You manufacture brick. You run a reasonably efficient plant and are able to compete with your two types of competitors, other brick manufacturers and those who fabricate lumber, concrete and the twenty other building materials. Your ability to keep your costs down enables you to engage in this lusty competition and therefore to maintain your employment.

Let us assume that you have one cost which makes up 5% of your overhead, clerical help, for instance. Now because of sheer carelessness, business ineptitude or because you have been politically sold the proposition that industry should increase employment whether that employment is needed or not, you permit this item of overhead to increase eight times. Absurd? Don’t get ahead of the example, we shall examine that later.

Anyway, you let this item of your overhead increase 800%. You do not require the extra help. How will this new, unnecessary cost react? Where will it find its payment? Out of surplus capital? That won’t last long. Out of profits? There are not enough in the first place and besides, no one will
give of his best without some hope of legitimate reward. In an increased price for your product? Eventually, it has to land there. Will you be able to compete against your efficient competitors? No, the market won’t reward your carelessness, your ineptitudes nor your fallacious theories. The consumer will not buy your bricks. You will go out of business. Your employees will lose their jobs. You will have subverted the “X” factor!

An Example of “X” Factor Promotion

You are the same manufacturer, operating under precisely the same conditions. You introduce an efficiency into your clerical operations—perhaps a simpler system or maybe a business machine. That efficiency, one way or another, must affect the labor requirements in this department of your business. Let us assume this efficiency results in the release of one man from clerical work. If you let him out of your employ entirely, your unit cost of brick will be lowered. If you place him in another department where his efforts will increase production, your unit cost of brick will also be lowered. If every one of the many possible consequences of this efficiency is carefully examined, it will be found that it eventually results in a lower cost of the product.

When any product is available at a lower price (a lower price resulting from lower costs and not
a price level change) the consumer's capacity to acquire that product proportionately increases. If the consumer doesn't want more of your products than he is now purchasing, notwithstanding the lower price, he will apply the money thus saved to the purchase of some other product that he otherwise would have been unable to acquire. The consumer's capacity to acquire wealth will be increased.

No man with any ability will have difficulty finding employment when consumers can purchase the things they desire. Their desires are unlimited. Our instruments of production, running at full blast, could not fill the demand. We haven't enough factories, enough farms nor enough labor. Our chief requirement, then, is to produce more goods and more services in relation to a given amount of human effort—a given amount of labor. Only new efficiencies, superior methods, can do this. Therefore, when you introduce an efficiency into your business, you promote the "X" factor!
CHAPTER IV

DOES OVER-EXPANSION OF GOVERNMENT
SUBVERT THE "X" FACTOR? *

While different terms were used, the subversive aspects of unrequired government were well understood and simply recorded nearly thirty centuries ago. The following is taken from the eighth chapter of The First Book of Samuel:

And Samuel told all the words of the Lord unto the people that asked of him a king. And he said,

"This will be the manner of the king that shall reign over you: he will take your sons, and appoint them for himself, for his chariots, and to be his horsemen; and some shall run before his chariots.

"And he will appoint him captains over thousands, and captains over fifties; and will set them to ear his ground, and to reap his harvest, and to make his instruments of war, and instruments of his chariots.

"And he will take your daughters to be confectioners, and to be cooks, and to be bakers.

"And he will take your fields, and your vineyards, and your oliveyards, even the best of them, and give them to his servants.

"And he will take the tenth of your seed, and of your

* So many different interpretations are placed on statistical data, too often molded to fit personal fancy, that the general figures used here may stimulate some disagreement. However, a principle is being argued, not statistics.
vineyards, and give to his officers, and to his servants.

"And he will take your menservants, and your maidservants, and your goodliest young men, and your asses, and put them to his work.

"He will take the tenth of your sheep; and ye shall be his servants. And ye shall cry out in that day because of your king which ye shall have chosen you; and the Lord will not hear you in that day."

In 1890, all units of government, federal, state and local, took only 5 cents of each income dollar. By 1929 they were taking 16 cents of each income dollar. Political agents in 1936 spent 40 cents of each income dollar! *

It is conceded that government has a legitimate claim to growth with the increases of population and wealth. An industry or a farm adds overhead as its business increases, but business management never permits a disproportionate ratio of overhead to production. If it does it fails. Governments, however, have not only permitted but encouraged an overhead out of all proportion to necessities.

The national income was many times larger in 1936 than in 1890. Why should not government overhead be maintained, somewhat in that ratio? †

* There are somewhere in the neighborhood of 250,000 units of government involved in this increase. The federal government, for instance, spent $520,000,000 in 1900 and $8,879,000,000 in 1936, an increase of 1500%!

† No doubt the cost of government must rise more rapidly than the increase of population or wealth as a society becomes more complex. However, the deviation from an exact ratio should be modest—not on the pretentious order we are now witnessing.
Why should governments today be taking much more than 5 cents for each income dollar? Why 40 cents? Why this 800% increase in political overhead? *

A previous statement implied as an absurdity the example of any business letting an item of overhead increase 800% when the business warranted no necessity for such increase. It was demonstrated that any such practice would force that business to close its doors and to place its workers among the ranks of the unemployed.

Yet, every business in America has and is participating to a marked extent in this type of an absurdity. Every business has increased its item of political overhead more than 800%! Government employees are on the payrolls of every business on an 800% greater scale than 1890!

Demonstration has been made of the way unemployment is created by an individual business permitting excessive costs. When the cost of government is excessive the effect is precisely of the same kind. It creates unemployment to the extent that government is excessive. It differs in its results only in that instead of bankrupting one or a few

* Many contend that a dollar's worth of service from government for a dollar expended makes any increase in government cost justifiable. Suffice it to say that this writer disagrees with this philosophy. It involves an argument in socialism for which this thesis was not designed; nor is it admitted that present increases in cost represent corresponding increases in service.
businesses, it filters its effects through all the units of production and distribution, partially harming them all. The aggregate unemployment resulting from excessive cost of government is the same as the aggregate unemployment resulting from a comparable excessive cost of a comparably sized business. The bad effects are merely better dissipated—the burden is more evenly borne. The total devastation is the same!

If the incidence, that is the shift, of these political excesses were more generally understood, if the unemployment and the discontent they create were blamed to these excesses, blamed where much of the blame really belongs, public opinion and public action would soon make short work of them. Instead, the public has been made to believe there is economic virtue in these excesses and has joined in support of the trend that insures its own destruction. Any government beyond the minimum of necessity is excessive and to the extent it is excessive, to that extent is the "X" factor subverted!
CHAPTER V

GOVERNMENT INTERVENTION SUBVERTS
THE "X" FACTOR

That sharply analytical historian, Albert J. Nock, recently made an age-proved observation concerning intervention by government:

"It seems to be very imperfectly understood that the cost of State intervention must be paid out of production, this being the only source from which any payment for anything can be derived. Intervention retards production; then the resulting stringency and inconvenience enable further intervention, which in turn still further retards production; and this process goes on until, as in Rome in the third century, production ceases entirely, and the source of payment dries up." *

Back in the five-cent days, the federal government confined itself to such strictly political matters as the common defense, post offices and post roads, foreign relations, the coining of money, the issuing of currency, the collecting of moderate indirect taxes, administering justice and to some reasonable regulations.

An estimate of the increased intervention that has taken place, gradual until recently, but lately

at a revolutionarily accelerated pace, can be obtained by scanning the activities now constituting the main business of the federal government:

The ethics and morals and practices of business.  
The wages of labor.  
The prices of goods.  
The planting and financing and marketing of crops.  
The relations between employers and employees.  
The care of the unemployed and the aged.  
The planning and financing of municipal improvements.  
The manipulation of monetary value to conform with political ideas.  
The use of the taxing power to attain social objectives.  
The education of youth.  
The planning and building and financing of homes.  
The minute regulation of hundreds of kinds and forms of industry and commerce and agriculture.  
The launching and conduct of hundreds of economic ventures directly competing with the activities of individual citizens.  
The general business of setting the moral standards and governing the human relationships of a nation of 130,000,000 persons.

A consequence equally as grave as the cost effect results from this intervention. The instruments of production and distribution change from control by business management to that by political management. Political management must lead to complete political control and then ownership and that
is socialism. When control is transferred from private to political management, the managers no longer are chosen on the basis of business acumen but rather on the basis of political sagacity. The main requirements for successful private management are low cost production and distribution, getting more goods and services to more people. The main requirements for ascendancy among political managers, as distinguished from those of statesmen, are devising sneak-thief methods of taxation to balance political deficits and making subtle speeches to cover up political errors. Political management lacks the incentives of private management to produce goods and services, therefore less goods and services are produced. Witness the political, lazy-man theory of scarcity—destroying pigs, cotton, wheat, etc. *To the extent that political management fails to produce and distribute goods and services as well as private management, to that extent does government intervention subvert the "X" factor.*
CHAPTER VI

THE SUBVERSION OF THE "X" FACTOR
BY GOVERNMENT MIS-DIRECTION

Throughout this thesis runs the principle that when the consumer interest is served, the general welfare is served. The consumer interest must be the paramount objective. The national well-being is threatened any time that objective fails to be our guide post.

Yet, government growth and government intervention clearly develop a contrary situation. And, as will be seen, this situation aids and abets government growth and intervention, thereby creating a vicious circle. To appreciate properly this phenomenon, we merely need to recall that iron law of fundamental economics: man tends always to satisfy his needs and desires with the least possible effort. There are two methods or means, and only two, whereby man’s needs and desires can be satisfied. One is the production and exchange of wealth; this is the economic means. The other is the uncompensated appropriation of wealth from others: this is the political means.

We have plenty of evidence today of what happens when we permit the government to grow to
unbounded proportions. *We enlarge the avenue for the political means.* And when man can satisfy his wants by this effortless process he simply will not take the sweat-of-the-brow route of production and exchange. Thus, as we make the political means available we wipe out of our national order the possibility of retaining the economic means.

Man, however, has little chance of exploiting the political means as an individual. So he organizes and does his exploiting as a group or as a class. Exploitation of the political means is carried on by industry, by agriculture, by labor, by relief workers, by veterans, by cities, states and other geographical entities. Likewise, government, interested principally in its own growth and affluence, generally finds groups and classes far more convenient with which to deal than individuals. Government prefers to wholesale its favors—it shuns retailing them.

To illustrate roughly, industry has used the political means to secure subsidies of one sort or another. Labor has used the political means to secure higher wages and monopoly restriction. Because of these and other comparable reasons, agriculture has found itself out on the limb unable to get its share of the national income. Has agriculture attempted to correct its position by minimizing the use of the political means by other classes and groups? No. It has compensated what it has thought to be wrongs on the part of others by
adoption of some wrongs of its own. It has employed the political means itself. It has confirmed the iron law of economics by satisfying needs with the least possible effort. It has said to the other groups, "All right, you have done some uneconomic things, I shall be uneconomic also." And, as has been inferred, agricultural interests have no monopoly on this attitude.

Now, as this bad boy polity is pressed by each group seeking a superior position to others in the grab for the national income, government is itself enlarged, stifling production and distribution, thus resulting in less national income to be shared. And worst of all, the avenue of the political means is increasingly enlarged, making the lesser national production subject to the political raids of more and more groups.

Today we are witnessing thousands of groups and innumerable pet projects getting funds through the political means which now or in the future must of necessity come from the real forgotten people: those who have chosen or have been forced to make their way in the world by the economic means; i.e., the production and distribution of wealth, of goods and services. Government has encouraged groups to seek the political means for funds. These funds, in turn, have been extracted by the government from those who have acquired them by the economic means. This prop-
position is officially defended by the unsound argument that spending of itself is a virtue. Let any man who argues in favor of this idea condemn the plan of the California messiah, Dr. Townsend. Logically, if the spending theory is sound, the Townsend Plan is sound. The difference between the spending which is advocated and that which is condemned is merely one of degree and not of kind. The difference between WPA and OARP is simply one of astronomical proportions. The aged doctor has done nothing more than glorify, magnify and capitalize upon the fallacious theories that are finding hospitality in official and, may we add, all too many business circles.

The main point is that government, by absorbing the social functions, i.e., the functions of the individual and his private institutions, has given a mis-direction to our national behavior. It has been giving the medicine to the wrong patient and by its prestige has encouraged private groups to do likewise. Government has sought to bring back prosperity by making groups prosperous. The focus has been on the group or the class, not the consumer. As a consequence, consumers have forgotten their identity as consumers and now think of themselves as New Yorkers or San Franciscans, as laborers, ship owners, bankers, veterans, relievers, farmers or industrialists.

These powerful alignments of classes, organized
to exploit the *political means*, which is to say, organized to exploit other classes, has seriously retarded the advancement of the *economic means*, and consequently has resulted in the production of fewer goods and at higher prices. As this process goes on, goods and services are available only to higher and higher income consumers. The poor get poorer and the rich also get poorer. By what stretch of the imagination can we pit group against group, class against class, interest against interest, geographical areas against each other and solve the problem we started out to solve—the problem of impoverishment in the midst of plenty? Can we continually produce less and less at a progressively greater cost and have more goods to distribute? The elements of wealth, the things for which we materially strive, are goods and services. Can we have more of these for more of our people by creating less of them by fewer of our people?

This mis-direction at the hands of government, a mis-direction that inheres in the very nature of government, because the interest of its principals compels it, is a subversion of the "X" factor.
CHAPTER VII

DOES INFLATION SUBVERT THE "X" FACTOR?

Probably, this question could in no way be answered better than by the evidence of experience. Andrew Dickinson White, late President and Professor of History of Cornell University, wrote a small volume, "Fiat Money Inflation in France." * It merits reading by every American with the welfare of his country at heart.

Some idea of inflation's effects can be gleaned from the following selected lines taken from this amazing record, last revised in 1912:

"Early in the year 1789 the French Nation found itself in deep financial embarrassment: there was a heavy debt and a serious deficit."

"... statesmanlike measures, careful watching and wise management would, doubtless, have ere long led to a return of confidence, a reappearance of money and a resumption of busines; but these involved patience and self-denial, and thus far in human history, these are the rarest products of political wisdom. Few nations have ever been able to exercise these virtues; ..."

"... There was a general search for some short road to prosperity. ..."


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"... They had then learned how easy it is to issue it; (irredeemable paper currency) how difficult it is to check its overissue; how seductively it leads to the absorption of the means of the workingmen and men of small fortunes; how heavily it falls on all those living on fixed incomes, salaries or wages; how securely it creates on the ruins of the prosperity of all men of meagre means a class of debauched speculators, the most injurious class a nation can harbor—more injurious, indeed, than professional criminals whom the law recognizes and can throttle: how it stimulates overproduction at first and leaves every industry flaccid afterward; how it breaks down thrift and develops political and social immorality."

"... Oratory prevailed over science and experience. ..."

"... Mirabeau. He was the popular idol—the great orator—hardly six months before—had spoken of paper money as 'A nursery of tyranny, corruption and delusion; a veritable debauch of authority in delirium.' But he yielded to the pressure:—partly, doubtless, from a love of immediate rather than remote applause, ..."

"... His (Goury, who favored more assignats) demagogy bloomed forth magnificently."

"... Singular, the man (Brillat-Savarin, who opposed more assignats) who so fearlessly stood against this tide of unreason, has left to the world simply a reputation as the most brilliant cook that ever existed!"

"... doubling the quantity of money or substitutes for money in a nation simply increases prices, disturbs values, alarms capital, diminishes legitimate enterprise, and so decreases the demand both for products
and for labor; that the only persons to be helped by it are the rich who have large debts to pay."

"... it began to be especially noted that men who had never shown any ability to make or increase fortunes for themselves abounded in brilliant plans for creating and increasing wealth for the country at large."

"... Comic and, at the same time, pathetic, were evidences of the widespread idea that if only a goodly number of people engaged in trade were hanged, the par value of the assignats would be restored."

"... Marat followed out his theory by asserting that death was the proper penalty for persons who thus hid their money."

"... But what the bigotry of Louis XIV and the shiftlessness of Louis XV could not do in nearly a century, was accomplished by this tampering with the currency in a few months. One manufactory after another stopped."

"... Commerce was dead; betting took its place."

"... The Capitalist could put his surplus paper money into the government lands and await results; but the men who needed their money from day to day suffered the worst of the misery."

"... The merchant was forced to add to his ordinary profit a sum sufficient to cover probable or possible fluctuations in value, and while prices of products thus went higher, the wages of labor, owing to the number of workmen who were thrown out of employment, went lower."

"... Out of the speculating and gambling of the inflation grew luxury and, out of this, corruption. It grew as naturally as a fungus on a muck heap."

"... Marat declared loudly that the people, by
THE ROMANCE OF REALITY

hanging shop-keepers and plundering stores, could easily remove the trouble."

"... This very activity in business simply indicated the disease. It was simply legal robbery of the more enthusiastic and trusting by the more cold-hearted and keen. It was the 'unloading' of the assignats upon the mass of the people."

This evidence should cause anyone to regard with alarm an increasing business activity accompanied by a mounting government debt. The suspicion that our revived business activity is too largely the indication of an inflationary disease, warrants an examination of this question. For certainly our present activity is accompanied by one of the largest government debt increases known to all history.

It is hardly necessary to detail the flagrant profligacy of government. Waste is in evidence on every hand. Projects, that have nothing whatever to do with economic necessity, are abundantly seen in every city, village and hamlet of the land. The theory of "spending ourselves rich" has political blessings and a wide popular acceptance. Groups and areas are organized to see which can best seduce money from a government that advocates financial seduction as an economic virtue.

An attempt in this thesis has been made to demonstrate that any waste, whether it be private or public, tends to destroy the possibility of more
things for more people. Why is it then, that, as yet, all this waste has not resulted in few things for fewer people on a grander scale than now exists? Is it possible we have devised some magic formula that nullifies the penalizing action of natural economic law? That hope is too fantastic to find entertainment in the councils of serious men. Then, if that is not the case, it is obvious we have done something to forestall temporarily some inevitable and distressing results.

In principle, if not in amounts, we compare with France in 1789. We have a "heavy debt and a serious deficit." France attempted a short road to prosperity by issuing assignats, notes against land. They used these assignats as a circulating medium. Momentary relief followed. We have likewise attempted a short road to prosperity but not in the form of assignats nor have we actually printed paper money.

Dr. White, in one of the previous quotations, uses the words, "Doubling the quantity of money or the substitutes for money..." Perhaps that word "substitutes" offers the clue; we have embarked on a gigantic credit inflation rather than a money inflation!

When the Federal Government needs a billion dollars what is done? Does the secretary of the Treasury call on the office where currency is printed and say, "Print another billion in thou-
sand dollar bills?” No. But in effect he does call another printing establishment and say, “Print another billion in bonds.”

The government prints bonds and on these bonds is our collective promise to pay a given amount at some future date. At the request of the government the banks buy these bonds but they do not pay for them with depositor’s money—not with our earnings and savings. A bookkeeping credit is entered in favor of the government against which the government is entitled to draw.

It is well to observe at this point that the government has acquired a loan with no cash considerations whatever. Merely a bookkeeping entry and the government has all the money it wants! Now, when you do a job for the government like building an American pyramid or engaging in a little boondoggle, the government gives you a check against the aforementioned bank credit—you deposit the check in your bank and draw against it for the purchase of goods and services. Merely a building up of checking accounts by printing bonds! The government thus has created out of its fiat some purchasing power which enters the marts of trade. There is thus an inflation of bank deposits, and therefore purchasing power to the extent of the transaction and the merry process goes on its frolicsome way.

Our present condition can fairly be likened to
the individual who is without means, who because of past performances has good credit and who on this basis, acquires all the elements of wealth. He moves into a new home for which he does not pay, takes delivery of a Rolls Royce on credit, charges a large stock of fancy groceries and even hires some servants on the promise to settle later. He can revel in his position until his creditors start repossession proceedings. The same thing can be said about our federal government; namely, "This spending puts people to work." Of course it does. But, to use the vernacular; who takes the rap, this spender or the laborers whom he employs and cannot pay? The laborer does and he always will unless the spending which employs his services is the result of the production of something useful. This individual's day of reckoning will not be so far ahead—neither will ours unless we rapidly mend our ways.

In this simple analogy the wage earner suffers because he doesn't get paid. Suffering because you don't get paid is not a bit different than suffering because the money that pays you won't buy anything! No matter what the financial trick is, so long as it is a trick to avoid the production and distribution of useful goods and services, that trick spells suffering to the wage earner. There is little comfort in applying different adjectives to destitution. Furthermore, it makes no difference if the sponsors of schemes think their schemes will work
to wage-earner advantage. The fact that they won't work makes the indictment against them just as conclusive.

History teaches and economic reasoning confirms that inflation, whether it be by assignats, printing press money or *printing press bonds,* breaks down production and creates unemployment. We work ourselves into a frenzied emotion about the subversive activities of communism. Are we interested in merely the kind of poison we take or are we interested in not taking any poison? No foreign ism, no practice can be more subversive than inflation.

France was seven years in cracking under the devastating influence of the assignats. The French, however, had a gold standard or its equivalent, by which they could and did watch the decrease in value of the assignats. By what are we comparing the value of the dollar? By gold? No. By the monies

* Some people may quarrel with this comparison; it is accurate nevertheless. In the old days, government bonds were sold to thrift investors; what was built by the proceeds was built out of the people's savings; there was therefore a limit beyond which government bonds could not be sold at a reasonable price.

In modern times such bonds are not really "sold" at all; they are turned over to banks in return for (artificial) bank-credit. Government then pays its bills by checks against that bank-credit. Those checks are then re-deposited in the banks by their recipients. So "dollars" are created by a combination of pen and printing press instead of by printing press alone. There is no limit to quantity in either case. The essential difference is only that the modern process does not frighten the people so much, since they do not understand it. (Of course, some small dribble of "baby bonds" is still sold to investors and such bonds are not, in the first instance, inflationary.)
of other nations? No, the important nations are devaluing their currencies somewhat together. Thus, the process here may be slower than in France. Not until enough people see through this subtle process will it break down. But if we maintain the policy of spending more than we take in, if deficits become a national habit, the blow must inevitably fall. *Excessive spending, or in other words excessive waste, must be met by excessive taxation which immediately results in fewer things for fewer people or, if not by that, by currency or credit inflation which forestalls that operation but sooner or later must strike with all of its accumulated vigor and national disaster. There is nothing more subversive!*
CHAPTER VIII

THE SUBVERSIVE ASPECTS OF THE “NRA” IDEA

How many times have you heard an argument like this? “Our industry is in a mess. Most of the fellows are a decent sort. They keep prices up to such an extent that everyone can make a profit. But we have some ‘chiselers’ in our trade who are always cutting prices, sometimes selling below cost and they upset all our plans for stability. We ought to have a law—something to keep them in line—a law with teeth in it, so we could ‘crack down’ on them and make them behave. That is the only solution to our problem.”

That argument presupposes that a particular industry has a birthright to prosperity and all you have to do to guarantee that birthright is to pass a law sufficiently coercive. If that were the case and we could make these coercive laws work, then anyone could enter any business with an assured profit—everything to gain and nothing to lose. In other words, guarantee a profit to industry and guarantee a wage scale to labor so it can buy the products of industry and, presto!—you have the millennium. As naïve as the idea is, it is favorably entertained by tens of thousands of business men and millions of laborers.
SUBVERSIVE ASPECTS OF "NRA"

This theory, crudely stated to be sure, robbed of its diverting verbiage and seductive embellishments is, nevertheless, the underlying philosophy of organized laborers, of "AAA" farmers and of "NRA" industrialists. Likewise, it is the driving motive that makes for the centralized government, the authoritarian State.

Walter Lippman, writing in the Atlantic Monthly * under the subject, "The Government of Posterity," states the proposition excellently:

"... Thus it is that many have been persuaded that the importance of cheaper goods is a menace, that technological progress is a disaster, that to produce more is to earn less. They have the conviction that if only they could erect round their occupation a sufficiently high Chinese wall composed of holding companies, mergers, marketing contracts, production agreements, licenses, quotas, labor laws and labor contracts, a wall high enough to exclude new ideas, new methods, new men and unusual labor, they would enjoy the blessings of stability. They are quite right. A society which has organized itself elaborately must keep on until it has organized itself into rigidity. It must seek stability because it cannot advance. It must imitate the mollusk, which, though it can neither walk, swim or fly, and has only meagre ambitions, does seem to enjoy a reasonably well protected and stable existence."

One of the really comic features of contemporary affairs is those business men who loudly hailed the

* November, 1936.
death of the Blue Eagle on the one hand and are privately conspiring to erect another bird, differently bred but with the same intentions, on the other hand. General Hugh Johnson, in his first post-election syndicated article, recognizes the popularity of the idea:

“A third step in an immediate attack on unemployment is to determine the possibility of saving as much of NRA as can be done within the Constitution, with the cooperation of industry on a voluntary basis, quickly, simply and justly. Regardless of the adverse ballyhoo, there is a tremendous popular sentiment for this and a considerable sentiment in industry itself.”

Now, that statement, widely representative of business opinion, is a very pretty sentiment. Yes, we must do all this, “within the Constitution.” But does this merely mean we shall rewrite it in another fashion, retaining its former essential features? Does it mean we shall NRA, but henceforward we shall NRA legally? No, the idea must not be coercive any more—that didn’t work. We will do it “with the cooperation of business on a voluntary basis.” Does that suggest we shall from now on do voluntarily that which we formerly did, or tried to do, coercively?

There is a lot to be said for doing a thing constitutionally and not unconstitutionally—for doing a thing voluntarily and not coercively. Those maneuvers, laudable and necessary under our system,
remove many opponents. But the fact that a practice is constitutional or that it is voluntary does not in any sense indicate that it is economically sound. Any action should be at once constitutional, voluntary and economic. If it cannot pass those three tests, it should never be graced with acceptance.

For instance, it is Constitutional to burn a fine crop of wheat! Conceivably, the action might be voluntary. But under no circumstances could it be considered economic, which disqualifies such action as a recommended national practice.

We are not here concerned with the constitutional or the voluntary aspects of the NRA idea, rather are we concerned with its economic aspects. We are concerned with its relation to the “X” factor. Does it subvert or promote it?

In the way of codes, there is little to be done, except in refinements, beyond that which the Federal Trade Commission has been supervising since 1919, codes formulated through the instrumental-ity of the Trade Practice Conference. That is, there is little more to be done if codes are to remain economically sound, voluntarily conceived and administered, and constitutional in their scope.

These codes have a dual purpose. First, the elimination of business practices, clearly illegal, such as secret rebates, false branding, trade-mark infringement, price discrimination in violation of the Clayton Act, use of false or deceptive selling
methods, false advertising, commercial bribery, operation of lotteries and issuance of false invoices. Second, the elimination of business practices that are not necessarily illegal but which a given industry considers unethical, uneconomical or otherwise objectionable.

The Federal Trade Commission has the authority and the obligation to demand the removal of illegal practices and it encourages and assists the industry in self-policing the legal but objectionable practices. If more attention were given to the promotion of this type of code and less to the let-government-do-it-all type, our whole scheme of business relationships would be materially elevated.

The Supreme Court gave its blessing to this form of code-making in its Sugar Institute decision:

"Voluntary action to end abuses and to foster fair competitive opportunities in the public interest may be more effective than legal processes. And cooperative endeavor may appropriately have wider objectives than merely the removal of evils which are infractions of positive law."

What, may we properly ask, does a revived NRA envision beyond the potentialities of the Trade Practice Conference code? Does not the motive behind the NRA revival spirit seek monopolistic permissiveness? Is there not embraced within this spirit the desire for production control and there-
fore price control? If these are not the objectives, then what is there to be obtained through a revived NRA that does not already exist in the TPC code? Because all industries will not submit to codes under the Federal Trade Commission? Then why would they voluntarily submit to NRA codes? The answer is, all of industry and business cannot be codified without coercion being applied.

Let us look at just one phase of the industrial structure and see where the application of coercion leads. Take the brick business. Brick, as we have indicated, is subject to two kinds of competition: *intra*-competition and *inter*-competition. *Intra*-competition is that within the industry, other brick manufactories. *Inter*-competition is that without the industry, other competing products such as lumber, concrete and the twenty or thirty other building materials.

The price of brick is as much regulated by the competition of other building materials as it is by the competition of other brick makers. Therefore, a code embracing production and price control for brick is perfectly useless unless codes are applied and sensitively adjusted to all the competing products. Experience under the defunct NRA taught us the interrelationship of codes of this sort. Once the process is started it must go the complete way, to all industry, thence to agriculture; in fact, to every product of production and consumption. If
the thing is carried out to its logical conclusion, and it must be carried out if it is to work at all, consumption will have to be rationed. The citizens of free America will no longer be free—they will take their strawberries and cream according to the whims of a dictatorial bureaucracy—and like it!

Writing on this subject, Dr. Lionel Robbins, University of London, recently stated:

"There is a sort of snowball tendency about this kind of interventionism which has no limit but complete control of all trade and industry. Once a government starts to control important branches of industry, if they are not willing at some point definitely to reverse their whole line of policy, there is no stop to this process short of complete socialism."

We may well consider the course of the AAA to prove the soundness of Dr. Robbins' statement. Originally it was to apply to two crops—cotton and wheat. The restriction placed by the Federal Government on cotton growers caused the farmers to raise peanuts, which immediately affected the market on peanuts and further restrictions on that crop were made. Then they put their idle acreage into growing potatoes, which caused further restrictions, and so on until the original two crops were extended to cover twenty crops, and carried severe penalties in the form of excessive tax and criminal penalties.

Had the United States Supreme Court failed to
check the AAA of Government control, we would have drifted into a complete dictatorial form of government supervision over all crops and raw materials with supervision and limitations on manufacturer, distributor and retailer.

Here we have an excellent example of the evil results of Federal Government tinkering with lawful operations and producing a system under which the first step makes inevitable the second step, the second forces the third and so on until the old order has disappeared and the new one has been completed.

The point is, the thing cannot work because there are no humans with the physical and mental capacities successfully to bureaucrat such a scheme. And to think it can be done piecemeal, just to certain industries, is as absurd as to think you can jump only part way from a stratosphere balloon! The real reason there is such a present popularity for the idea is that we already have so many rigidities that business men, laborers, agriculturists and others can see nothing else to do but impose compensating rigidities. One foot is tied down so let’s tie down the other one. Little thought is given as to how the first foot can be untied. It is easier to shackle than to unshackle, even though shackling makes for impoverishment.

Even if we had some gods on earth, endowed with superhuman powers of administration (we
haven't) and if they were tempted to try this scheme (no god would), the thing would be a colossal flop. It would be a flop for the simple reason that the NRA idea gives the medicine to the wrong patient. It conceives that classes and groups are the objects of our welfare affections. It loses sight of the real patient—the consumer. The NRA idea, even if voluntarily practiced and constitutionally okayed, would be an economic evil because it stifles competition, it fosters monopoly, it regulates production to an undeveloped demand—in short, it forces prices farther and farther out of reach of purchasing power. It produces less and less by fewer and fewer and therefore there is less wealth for few people. The NRA idea and the many varieties of its philosophy are without a doubt one of the most subversive elements to the "X" factor extant in America today.
CHAPTER IX

WHAT ABOUT CONSUMER JUDGMENT?

Here is an influence upon the "X" factor about which little can be done except to apprise consumers of its vagaries hoping, but not very expectantly, that thus apprised, some of the blame for some of our troubles will find its correct resting spot.

The matter cannot be dealt with intelligently unless we first agree that the problem to be solved is the elimination of impoverishment. The mere elimination of impoverishment does not presuppose a satisfaction of desires in any respect except that of food, clothing, shelter, heat, sanitation, health and literacy. Perhaps others would set a different standard for the non-existence of impoverishment, but for the sake of this argument this standard will suffice. The satisfaction of more desires is, of course, a worthy objective. But we would do well more unanimously to get out of the impoverished grouping.

Those in the impoverished group, hardly able to garner the requisites above stated, err if they make purchases of additional so-called necessities or luxuries. To the extent they thus engage them-
selves, to that extent will they be without these bare necessities. They will either be without them, thereby increasing their impoverishment, or they will throw themselves on the community to supply these needs. In either case the ultimate impoverishment will be the same for if they throw themselves on the community, that cost will eventually reflect itself in the purchases of the impoverished and they will be able to buy correspondingly less. In other words, a man who cannot provide his family with simple necessities, makes a sad mistake if he buys a radio or an automobile. This is one example of how bad consumer judgment makes the poor poorer and how it subverts the "X" factor.

We constantly hear the damnation of our production and distribution machinery. They are widely alleged to be the root of the impoverishment evil. Little or no thought is given to consumption behavior, which really is more the cause of our difficulties than the two combined! And pathetically enough, and contrary to all popular notions, most of the source of the trouble lies among the millions in the lower income groupings where remedial measures are extremely difficult.

The majority of these people have cast overboard the old habits of thrift which dictated the purchases of simple necessities previous to the acquisition of needless luxuries. Their yearnings for non-essentials, heretofore reasonably sup-
pressed, have today been unwisely released. High pressure advertising and selling methods, plus the child-like advice of political and economic neophytes, have united in confirming their bad judgment. Money that should have gone for three quarts of milk, a loaf of bread and a peck of potatoes, is spent for five gallons of pleasure gas, a movie or a pint of "red eye," and the economic system is denounced because they don't have milk, bread and potatoes. This picture has more than fifty million variations!

We have indicated some of the effects of inflation: stock market, currency and government credit. Consumer judgment often creates an inflation almost as serious. When consumers go into the market and purchase goods for which they have not yet earned the money—when they charge goods for immediate use to possible future earnings—they are likely to set dangerous wheels in motion. The extent of the danger lies in the extent of the practice. Large-scale installment buying of luxury goods that have no relation to productive necessity starts a mushroom production in motion. Unless the mushroom expansion with its naked purchasing power goes on ad infinitum, and it cannot, there has to be a let-down, a depression and insecurity. Unemployment and serious maladjustments must result. All caused by an excessive anticipation of desires.
Those in the higher income classes do not assist the poor when they engage in the purchase of goods and services not useful to their productive efficiency.* It could be easily demonstrated that the waste of a pork chop by a family of affluence has a detrimental effect on the impoverished. There is no difference, except in degree, between the wasting of a pork chop and the “AAA” practice of destroying little pigs. Each practice lessens the supply in ratio to demand and therefore raises prices which places pork chops farther from the reach of those who cannot get enough pork chops. If the waste of a pork chop is regarded as an infinitesimal waste and therefore without consequence, merely multiply the wastes of all products by 130,000,000 people and the total wastage will be found to be terrific. Here is another example of the detrimental effects of bad consumer judgment.

A point, most imperfectly understood, is that the fruits of science, better methods and technological advance have been dissipated in a thousand and one ways of which bad consumer judgment is one. This dissipation has absorbed much of the advantage, many of the gains that should have gone to those who are today in the impoverished classes.

* Productive efficiency is dependent upon a wide variety of factors of which the lure of luxuries, even needless luxuries, if such a term is admissible, is a most important factor. If a rich man would produce as well without being wasteful as he would produce if he were wasteful, the poor would gain by the behavior.
CONSUMER JUDGMENT

One finds many people of affluence, and therefore example-setters, who sincerely believe they are fighting the battle of the poor but who, because of a lack of knowledge of this simple economic truth, are not only wasteful and profligate themselves but are advocates of theories that make for more waste and more profligacy. They think to buy something for which they have no use is to give employment for the production of the useless article, thereby helping the poor. More than likely, many of these well-to-do people would see no harm, in fact they might see good, in buying a basket of bread and throwing it away. Many of them “caught on” to the fallacy of throwing away bread in the form of not planting wheat, but the equation in their personal case is more complicated and they have not yet thought it through.

It is precisely this type of thinking that has developed the American pyramid idea, the idea of boondoggling, of furnishing unnecessary work on useless projects. It is precisely this kind of thinking that demands that science produce a new industry, something like the radio or the automobile, which, because of the popularity of the product and the size of the operation, will absorb the unemployed. To reiterate, the very people who have emotionally dedicated themselves to the poor are the most ardent advocates of these theories. There is a world of difference between an emotional and a studious
analytical dedication to a cause. From the standpoint of the poor, emotional intentions are divine, but their consequences are usually devastating.

These emotionally inspired people fail to see that frugality and conservation must ever remain a nation-wide practice, no matter under what sort of an economy or how far that economy may advance. They fail to see that when we divert our energies from the production and distribution of useful things—of necessities—we have less energy left to produce and distribute necessities. Assuming that the impoverishment problem is the one we want to solve, then useful things are food, clothing, shelter, heat, sanitation, health and literacy. When we wastefully divert energy from their production we lessen the supply and consequently raise their prices. That is inescapable and is as exact as two and two are four. As we raise the price, the necessity gets more and more out of reach of the poor.

It can be argued that if a person wants to waste something, that is his business. So it is. It can be argued that if a person wants luxuries, wants things beyond his necessities, that also is his business. So it is. But present waste and present extravagance would be ever so much less if people only knew the bad effects of waste and extravagance on the poor. Too many think these vices are virtues. Too many think they are helping when they are really hindering. They think they are solving a problem when
they are actually aggravating it. The difference between intentions and performances on the part of many well-to-do, example-setting people is about as wide as the difference between desire and satisfaction on the part of the poor. Perhaps if the former were narrowed, the latter disparity would narrow also.

Compare with these well-intentioned people the trainer of a marathon runner. He is sincere, his objective is worthy—he wants his runner to win the race. However, he lacks experience in training marathon runners. Having once felt the exhilarating effects of a stimulant he reasons that ten stimulants would give ten times the exhilaration so he gives this advice to his entry. Being better able to comprehend the effects of excessive liquid stimulants than we are of economic stimulants, we readily imagine, without difficult thinking, what happened to our marathon runner.

Tracing any given behavior to its economic effect is, to say the least, complicated and confusing. Few minds, even those possessing the peculiar faculty for this type of thinking, arrive anywhere without laborious and studious effort. As a consequence, so very many conclude the direct opposite of the economic truth. Too many qualify for the kind of experts who avoid minor mistakes as they sweep on to the grand fallacy. This explains, in part, why so many devoted to the cause of the im-
poverished, actually practice and loudly advocate actions that directly contradict their intentions.

If a person wants to be wasteful, that is his business. If a person wants to buy luxuries that he cannot really afford, that is his business also. If one wants to buy non-necessities that he can afford, certainly that is his business. But, in the name of Heaven, let us put these practices where they belong—let us forever earmark them for what they actually are: personal indulgences and nothing else. Let us get it out of our heads, individually and collectively as governments, that these indulgences, except only as they stimulate the indulger to greater productive activity, assist in solving the problem of impoverishment. Rather if excessive, they aggravate it and serve as one of the impediments to its solution.

This whole question is a matter of objectivity. The right to indulgences, or, to be more generous, the right to luxuries and the finer products of life above the impoverishment level, should be regarded more as the result and less as the cause of progress. These benefits, these implements to an easier life, must be thought of as rewards for meritorious practices, as rewards for the virtues of abstinence, thrift, invention, frugality and efficient organization and never thought of as reasons for economic and social advance. If indulgences were the cause of progress, we could advance by encour-
aging drunkenness.

The correction of our thinking on this point alone would have an advantage more profound in its effect than most of us are willing to imagine. Correction of our thinking in this respect would put an end to "priming the pump" theories, to boondogling, to highways that serve no economic need, to projects for the sake of sheer spending, to "buy more" programs, to waste for the purpose of helping someone and to numberless inanities that characterize individual and national behavior. What an incalculable boon just this one change in reasoning would be to the impoverished—what a world of wonders it would eventually work for more goods and more services for more people!

Many will describe these lines as those of a reactionary. On the contrary, these lines are more radical than the tenets of Communism! Why? Simply because they advocate more completely an overthrow of present trends and present thinking than does the Communistic formula! Our whole behavior is approaching the creed of the collectivists, the socialistic state and the proletarian thinking and control more rapidly than it is tending to contradict these recommendations.

Extra-necessities, those above the impoverishment range, and luxuries have, however, an important place in the solving of impoverishment. Man essentially is a selfish animal. Therefore, it
behooves us to harness this selfishness the best we can in such a way that whatever man does will redound to the benefit of the whole society.

That is the reason we have developed an economy with many incentives. Americans have attempted to perfect a system that will reward merit in accordance with its perfection. We have proposed to induce man to produce wealth not only with the reward of necessities and extra-necessities, but with the promise of luxury if he does well enough. That this luxury, if used wastefully, adversely affects the impoverished is granted but, and this is all-important, the impoverished are better off, not relatively but really, than if the luxury had not been a reward. Without extra-necessities and luxuries as a reward, man would have produced only enough for himself and in most cases barely that.

If, with extra-necessities and luxuries as stimulants, a man does a ten-thousand-dollar job of production and a nine-thousand-dollar job of wastefulness, society has gained a net one thousand dollars.

It should be obvious then that tools, bare necessities and physical and mental equipment are not all that contribute to productive efficiency. The lure of something better, the extra-necessities and the luxuries furnish a stimulus to production in a very real and considerable manner.

A system that permits the attainment of luxury
and at the same time keeps opportunity for luxury open to all is a system worth the struggle to preserve and to perfect. The purpose of this thesis has been to define the "X" factor and to demonstrate that its development is the key to wide-open opportunity.

The impoverished or those near to that classification, should take comfort in the fact—a fact imperfectly understood—that no man, whatever his wealth, can consume or use or enjoy a very excessive amount of necessities and luxuries. Frankly, there is a greater detriment to the poor from the indulgences of the medium income groups and likewise of the poor themselves, than from the indulgences of the very high income groups, not only because there are greater numbers of the former, but quite often because the indulgences of those with small and medium incomes are more excessive than those with higher incomes.

No matter how rich any man may become, there is a definite limit to the part of his wealth he can enjoy for himself. Professor Thomas Nixon Carver offers a cogent point:

"A rich man of today may own few . . . articles of luxury and self-indulgences. His riches consist mostly of producers' goods, that is capital. An Oriental prince, with a room full of jewelry, is a rich man but not a capitalist. A rich capitalist may live on crackers and milk, wear very plain clothes and never indulge him-
self in any luxury.

"If you are rich as an Oriental prince is rich, your riches are for you and your favorites alone. Your riches do not have to work for anybody else. But if you are rich in capital, your capital must work for somebody else. If it does not, it is worth nothing to you and you are not rich. In order to get anything for yourself out of your capital, it must be put to work helping to produce what others want. No matter how selfish you are, the possession of capital harnesses your selfishness to the work of producing for others. Here is a clear case of harnessing the motive sometimes called selfishness, but more accurately called differential generosity, to the public interest." *

That part of the rich man’s income, beyond that which he personally uses, is capital and, to do him any good, must find investment. Whether he invests it himself or permits a bank to do it for him is of little consequence. The point is, his investment goes into some form of production or distribution, creating competition in some field, forcing improvements and therefore lower costs, which bring goods and services within the range of lower brackets of purchasing power.

Over-indulgence, on the part of rich or poor, subverts the "X" factor. Nevertheless, to remove extra-necessities and luxuries from the field of opportunity would destroy incentives that cause more useful production than the producing energy they

* Christian Science Monitor, June 17, 1936.
divert. To remove these incentives would be penny wise and pound foolish.

This matter of consumer judgment, in spite of its importance, is one about which little can be done beyond that which each consumer desires to do. Intelligent educational programs, a rebirth of the thrift theme, discouragement of uneconomic advertising and selling methods and the discovery of a “Maxim Silencer” for demagogic humbuggery appear to be requirements. No doubt a more felicitous behavior would result if all consumers perfectly understood the consequences of their actions. Anyway, the wasteful and the profligate, whether they be poor or rich, will look less foolish if they cease to advocate other methods of subversion to solve a problem to which they are no mean contributors.
CHAPTER X

MISCELLANEOUS SUBVERSIONS

The major subversions to the “X” factor previously described, plus those discussed under this miscellaneous heading, by no means complete the list. However, most of those left untouched would, very likely, be similar in principle to those here treated. If not, we have at least stated a sufficient number to organize the problem.

Speculation

Play not for gain but sport. Who play for more
Than he can lose with pleasure, stakes his heart—
Perhaps his wife’s too, and whom she hath bore.

—GEORGE HERBERT.

Gambling by anyone rich or poor, for pleasure or otherwise, may have its moral side. That issue is for the moralists. Some types may be illegal and others legalized, but that does not necessarily concern us. Of the innumerable kinds of speculation, some of which are economically sound, we are interested in ascertaining the effects on impoverishment of the gambling kind commanding large public participation: stock and bond market, real estate, installment buying and an infinite variety in which practically every person of mature age engaged during 1928–29.
Speculation by those who have surpluses of capital with which to play, capital which if lost or gained will not affect their necessity requirements, has a tendency to stabilize market conditions, that is, if the speculators win. It subjects the capital market to a well diversified cross-examination of its condition, it tends to put the market in its place. When speculation is confined to people of this wealth level and when these people confine their speculation to above-requirement surpluses, the public is not adversely affected. Looking at the problem broadly, there is no money made from speculation. That which one gains another loses. The capital used to speculate remains in the market—it merely shifts to different ownership or control as gains or losses are registered.

Broadly speaking, those who speculate do make money on occasion. They make money during a period of increasing productivity, when more goods and services are being made by more people. Those who speculate make money temporarily, and lose more later, during periods of inflation or when the market is under the influences of other artificial stimuli. But speculation, except as it perfects the market, is never the cause of increased wealth.* Leaving aside the artificial influences,

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*We do not here refer to the type of speculation in which a farmer engages when he plants a crop or in which a business man enters when he introduces a new product to the market,
speculation is simply a gamble as to whether or not increased wealth will be forthcoming.

An entirely different set of circumstances surround speculation when indulged in by those who do not have playing surpluses. Conditions bordering on national catastrophe can very easily result, and on at least one occasion have resulted, from mass speculation. For one thing, the market is subjected to an impetus to which it is unaccustomed and to which economically it is not, nor should it be, attuned. The unexpected stimulus given demand for ownership of productive and distributive ownership, which speculation can make possible, forces capital markets to unsupportable heights from which, sooner or later, they must tumble. During the rise, false prices and therefore false purchasing power result. Productive instruments are forced into the false economy to satisfy a false demand for goods and when the crash arrives there remains a confusing mess of maladjusted instruments, each, we have observed, seeking the political means to support its marginal position and to guarantee it an enduring, prosperous existence.

This sort of trouble would never plague the national economy if speculation were confined to those who have extra surpluses and who therefore have a right to speculate. No capital would enter the market that wasn’t earned capital. And who cares if extra surpluses swap rich men? Movement
of capital in those brackets is more than likely to do no public harm.

When one with no surplus enters the speculative market, he purchases instruments of ownership, stocks and bonds, on a marginal account. The difference between the earned income representing his down payment and the value of the instrument of ownership, passing to his control, is indeed very considerable. That difference represents a false demand in the market for which, for the time being, there is no compensating deflationary supply. Millions ride the inflationary wave, for, as it goes up, it is very safe riding. In such a rising market, quick profits eliminate the necessity for covering margins and, therefore, anyone with almost nothing can get on the wave sending it ever higher to the unsupportable crest from which it must inevitably fall.

Here is a fair illustration of the evils of the gambling type of speculation by those who have acquired no surpluses: ten men, the heads of families, are seated around a table about to speculate on how some cards will turn. To make this example precisely correct we will assume that these men have their monthly pay in their pockets, that in each case it is the same and that their pay is exactly enough to purchase the necessities for their respective families during the coming month. The cards are turned again and again. As it finally ends, one man has all the money of the other nine. Nine fami-
lies are left impoverished for one month. Groceries, coal, clothing and other provisions produced by the farmer and the manufacturer and stocked by the merchants for their use remain on the shelves. There is plenty but there is also impoverishment. Imagine a bureaucracy attempting to regulate supply to this kind of an unpredictable and self-destroyed demand.

Some will contend that the man who got all the money will purchase the goods which the others did not buy. Perhaps, to some extent. He can’t eat any more food than he did before, if what he had before was enough. He will not heat his house any warmer if the warmth before was sufficient.

Practically, in a national splurge of speculation, many of the gains will go to those who devote all their time to the management of their capital. Much of the gain going to the rich will be accounted for by millions of small losses of the poor. The "kitty" gets it all. The rich have everything they want or the near rich have nearly everything they want. They will not buy much more no matter how much more they may gain from speculation. Gains to them only mean the management of more funds. But the poor become poorer. The rich won’t buy any more and the poor cannot buy as much.

Speculation on the part of the poor or near poor must always destroy the genuine purchasing power of the nation. It diverts earned income from the
purchase of necessi ties and throws it into investment pools. Because of the lack of the demand for necessities, this money must go to the production of extra necessities or luxuries, these being the only things for which there can be a demand exceeding supply. This process, in turn, takes producers out of the necessity field and places them in the luxury field, and that loss to the necessity field makes for higher costs of necessities.

People without extra surpluses may well invest in instruments of ownership, but such a placement of savings should be looked upon as an investment and that alone. Any mass movement looking to enrichment by speculation and not by production and distribution made possible by thrift, frugality and conservation, makes for a greater impoverishment and is subversive to the "X" factor to the extent it is practiced.

**Consumer Cooperatives**

This subject merits discussion because of the consideration given to it by the general public and not because of its present effect. That, at the moment, is relatively negligible. The intentions and designs of those supporting the present movement are the important points.

Consumer cooperatives, of themselves, are just as legitimate and just as economically proper as are individual business concerns or corporations. If a
consumer cooperative can do a better job of distribution and can bring goods to the consumer at lower prices than existing agencies then such a cooperative should receive every encouragement. The private business concern that cannot stand against the competition of a fairly run cooperative has no rightful complaint, nor should it be the recipient of public sympathy.

Many people, lured to the consumer cooperative fold, come because they are given to understand that they will share in the profits, thereby making the cost of their purchases correspondingly less. There are two false notions at large here. First, the assumption that there is going to be a profit. What if there is a loss? More enterprises fail than succeed. Second, that the taking of a profit, if any, should be credited to lower prices for goods purchased. It would be as sensible to invest money in John Doe’s shoe factory and subtract the dividends from the cost of goods bought at the corner grocery. An investment in a cooperative should be considered the same as an investment in any other business. Investment in a cooperative is a risk just like other investments, it may lose and it may gain. Any loss or any gain should be regarded as just that and not as a subtracted or an added cost for goods purchased. How much profit can the cooperative make? Is it a better investment than some other enterprises? At what price does it sell its goods?
Are the prices lower than those of other merchandisers? Upon the answers to these questions should consumers base their decisions to invest in and to buy from cooperatives.

The present consumer cooperative movement, however, is not based on the premise of fair operation. It has an advantage up its sleeve which is at once unfair and uneconomic. This newly stimulated movement and the hope for its success is founded on the movement's expectations of employing the political means. It proposes to take unfair advantage of competing business by obtaining government subsidy and tax exemption. Having obtained such a considerable advantage, it can then pretend it is offering goods at lower prices because its costs are lower. Of course, the costs won't really be lower. Its costs will be the same but a part of its overhead will be paid by government, which means by all of us including the merchants with whom the cooperatives propose to compete.

In these days of growing statism, movements of this kind must be resisted to the utmost. Independent merchants seeking discriminatory legislation against "Chains" had better be careful lest they establish legislative precedents permitting cooperatives to wipe them both out of business existence. The very structure of cooperatives gives them unrivaled political power. Politicians, sensing the handy advantage of compartmentizing the people,
will bend every effort to aid and abet the aims of any such well compartmentized group.

*Share the Wealth*

This scheme fallaciously assumes that wealth is a static thing, that all there is or ever will be is in existence, that if one is to be wealthy he must somehow secure some of the wealth already possessed by others.

This nostrum, like most of the others, comes from a philosophy of despair. It fails to recognize that wealth is only slightly static, that the greater part of wealth, if there is to be any considerable amount of it, must be a constantly, freshly created thing, day in and day out, year in and year out, ad infinitum.

The only static parts of wealth are the instruments used in creating wealth: farms, factories, railroads, etc. To divide these would be silly. In most instances the present ownership, schooled in efficient operation by the hard master of acquisition, is far more competent to direct these instruments in producing goods for the use of others than would be any new politically directed breakdown and realignment of ownership.

The elements of wealth in which people are interested are homes, food, clothing, the other necessities, conveniences and luxuries. These things are produced daily. They are consumed
daily. All that can *materially* interest anyone is the getting of a sufficient amount of these goods. Merely to divide the money in existence or to divide a billion or a hundred billions of "new money" among all the people, would not add a single slice of bread, another pair of shoes or a kilowatt-hour of electricity to the total wealth we now have.

On the contrary, any such division of existing wealth or division of fiat money would seriously subtract the slices of bread, the pairs of shoes and the kilowatt-hours of electricity we now have available to us. Not only would there be an impairment of our producing machinery by the installation of incompetent management, but the inflationary forces set in motion by the division of fiat money, as has been set forth, would throw this machinery out of adjustment and create a general impoverishment.

The mere fact that one capitalist has accumulated, let us say, ten million dollars, is not of itself a deterrent force in keeping anyone else from being rich also. He can use but little of that ten millions. He can only control it and, to be of any use to him, he has to put it to the use of others. He must control it wisely and there are many natural motives forcing him to do so. In most instances that accumulation makes riches easier for others.

So long as more things for more people is our
objective, we need only concern ourselves with the processes that permit their production and distribution. Sharing the wealth, as it is legislatively planned, destroys this possibility—it subverts the “X” factor.

Thinking people will do well to examine current legislative proposals for subtle share-the-wealth designs. None of these proposals are as sweeping as the Huey Long brand, but many of them are doing by bits what he planned in one fell swoop. Economic death by inches or all at once? You want neither? Then get off this road—it’s bad! Share-the-wealth schemes have a “reverse English” effect. They bring results opposite to those intended.

“Work Less and Have More”

Under this heading fall two current panaceas having no inconsiderable support. These are “share-the-work” and the “thirty-hour week.” Ironically, the chief sponsors are labor organizations, embracing in their memberships the very people who would be most adversely affected by the adoption of any such plans.

“Work sharing” is a direct invitation to a lower standard of living. A worker making $1500 a year can purchase a few things beyond bare necessities. If his employment is shared, he has less, and the
one with whom he shares his work has no more, if
as much. The scheme limits the worker's oppor-
tunity to produce and to earn. It, therefore, raises
costs and reduces purchasing power.

More alluring, and therefore more devastating,
is the plan for a six-hour day and the five-day week.
It really is the “work-sharing” idea plus the propo-
sition that the worker will receive the same weekly
pay as though he worked, let us say, forty-eight
hours. From the standpoint of the worker who re-
fuses to go beyond shallow reasoning, the plan
looks grand. He can work eighteen hours less per
week, he gets the same pay, he has more time to
spend and therefore to enjoy his earnings and,
above all, someone in the ranks of the unemployed
will have the opportunity to work the eighteen
hours made possible by his magnanimity and at the
same hourly pay.

On the basis of a dollar an hour, here is at least
$18 per week (and possibly $28.80) added to the
purchasing power of labor, so it is thought. Why
should “business” complain? Will not “business”
sell more goods?

It would be a great world, perhaps, if all our
problems could be solved this easily. But they can-
not. At least reason and experience dictate that they
cannot. Provided the sponsors of this scheme are
sincere, and one has to allow for a lot of naïveté to
be without suspicion, their methods contradict their intentions. That which they offer as a solution only aggravates the problem. They may mean well but they do wrong. They "fall" for a fallacy and pursue it stubbornly and blindly. This "thirty-hour week" proposition, when compared with factual evidence, doesn't make sense. When one is certain that such an idea, even when sponsored by labor, is inimical to the interest of labor, is one wrong in condemning it? Should "business," recognizing the fallacy, sacrifice long-range public interest for momentary approbation from self-styled liberals and "friends of labor"?

The "thirty-hour week" philosophy gives a false credence to one point and fails to recognize the stumbling-block nature of two others:

A. Real purchasing power does not consist of money. If it did we could all be prosperous by the simple expedient of printing money at any time we wanted any commodity or any service. Real purchasing power is created when we make something or render some service which has a market, something which, if in excess of our own requirements, we can trade for something else we more ardently desire. Money has only two functions: first, it serves as a medium of exchange in facilitating this trading of products and services and, second, it serves as a repository of value so we can conveniently account for our position in this productive process. If we create goods and services of greater or lesser value
than we consume, we register the credits or debits in the form of money. We have a surplus of money or we owe money. Money is only the symbol of purchasing power. Purchasing power comes only from production. If this point were better understood, more people would be producing rather than trying to get rich by symbol-tinkering.

B. When a forty-eight-hour worker, getting $48, works only thirty hours, still getting $48, and someone else works the eighteen hours’ difference, getting $18, the production remains the same and the cost jumps from $48 to $66. From where is this tremendous cost coming, this extra cost from multiplying $18 by millions of legislated eighteen-hour lay-offs? That cost must be added to the price of the products. Labor, with no more dollars per laborer, will pay higher prices for goods and services. Labor will be able to buy less, not more. Labor won’t need any extra time to spend its money—labor cannot buy as much on a $48 thirty-hour week as it can buy on a $48 forty-eight-hour week.

C. If labor could produce as much in thirty hours as in forty-eight hours, then perhaps something could be said for this idea. But that is sheer nonsense. To be sure, there is a point at which every person reaches the peak of productive efficiency, but that point, except in cases of physical or mental deformity, is far above thirty hours a week. The following is a sample of sound reasoning, typically perverted:

‘It was progress when we reduced from a fourteen to a twelve-hour day and more progress when we reduced from a twelve to a ten-hour
day. Therefore, will it not be progress if we reduce to eight, to six, to four—?"

What should be the duration measure of weekly labor? Until everyone has everything needed, the measure should be the point at which the greatest productive efficiency is reached. This point should not be subjected to a national generalization. It does not lend itself to that. Climate, class of workers and conditions of work unite to create a variety of efficiency points which in one circumstance might require a 20-hour week—in another, a 60-hour week. Hourly reductions in labor below this point, whatever it may be, should come only as rewards for achievement, as gifts from a perfected economic system. Fewer hours, below the productive efficiency point, can never be the cause of more goods for more people.

Another way of seeing this theory clearly: worker A can make four chairs in eight hours. These chairs are his purchasing power. In six hours he can make only three chairs. Therefore, in six hours of labor he will put less not more purchasing power in circulation. More pay for less work creates less and not more purchasing power.

The wage earner should recognize that he, more than anyone else, has the greatest stake in lower costs and therefore lower prices for goods and services. The normally well-to-do and the rich do not like a high cost of living. But twenty-cent bread,
twenty-five-cent milk and twenty-dollar shoes do not keep these higher-bracket people from having bread, milk and shoes. These higher prices may force them to play less golf, to buy cheaper automobiles and to thin out their pleasure trips, but they will continue to eat all they want and to enjoy, to the full, the other real necessities.

What happens to the wage earner, with merely a necessity-furnishing income, when bread, milk and shoes and the other necessities double in price? The answer is obvious: he has only half the bread, milk and shoes and the other necessities. *A commodity price raise in relation to labor income is the most disastrous thing that can happen to labor.* Such a circumstance half starves the wage earner—it merely keeps the well-to-do from enjoying all of their accustomed luxuries. It pinches the rich man in his automobile—the poor man in his belly.

Yet, strange as it may seem, paradoxical as is the truth, the average labor organization sponsors measures that, if adopted, would assure this circumstance. On the other hand, enlightened business organizations, which labor is constantly admonished to regard as enemies, oppose these measures with all the vigor they possess. Labor will do well to scrutinize more carefully its alleged friends and its supposed enemies. Anyway, the opponents of "work less and have more" are the real friends of labor whether or not organized labor and its
professional promoters ever recognize or admit it. These nostrums are viciously subversive to the solving of impoverishment.

*Union Wage Scales*

Only that relevant to our problem need be discussed on this broad subject. Present trends, however, seem to point to policies, likely of adoption, that must command more and more attention when considering impoverishment.

No one, having a philosophical understanding of the American system of free enterprise, will deny labor the right to organize, the right to bargain collectively or the right to charge for its work what the market will bear. *That is, provided the collective bargaining does not assume monopolistic proportions.* Industry bargains collectively when several small shoe factories merge into one company. But industry is not permitted to merge until there remains no competition. All the shoe factories in America cannot merge into one big corporation. Sound economics and the public interest demand that this condition shall never be otherwise.

All labor should be regarded as a commodity whether it is common labor, school teachers or corporation presidents. It should be regarded as that because it is a commodity, nothing less, nothing more. A university president is president only so long as there are more reasons for keeping him
on the job than for employing others who may be seeking the position. His service is a commodity in competition with others able to render a similar service just as much as the products of a factory are in competition with comparable products from other factories. His service is subject to the same laws of supply and demand and the incident price-level variations as any commodity of common utility.

A monopoly of any commodity, except in rare instances like the telephone business, is contrary to the public interest. Monopoly cannot long endure, unless politically protected. Monopoly in industry exists when an industry is able to advance the political means to its side. Industry will tend toward the use of the political means to attain monopoly if the public will permit it to do so. The present business demand for another kind of NRA is sufficient witness to that statement.

Likewise, labor tends toward monopoly but can acquire it only if it can successfully employ the political means. It attempts to secure government backing for its wage scale and working conditions demands which, temporarily at least, would take labor—organized labor anyway—out of the market as a competitive commodity. Irrespective of the fact that competition is, in the long run, in the interest of business, labor and the public, most groups instinctively seek to exempt themselves
from its many exactitudes. Most groups want competition for other groups, few ever demand it for themselves.

If a thousand plumbers said, "We have organized ourselves into a union; our work is superior to the ordinary run of plumbers; we will conform to certain specifications as to hours, grade of work, quality of work, etc., and we want $1.50 per hour for our work; we will work for nothing less," that proposition, of itself, would be no different than Mr. Ford producing a car of known specifications and saying in effect, "The price is $650. F.O.B. Detroit. Take it or leave it."

But if Mr. Ford attempted an industrial coup d'état, which amounted to a monopoly of the automobile market and said, "Here is a Ford car. The price is $1000. If you want an automobile take this one. There are no others," we would readily understand this acute disadvantage and probably wouldn't stand for it very long. As it is today, although few outside of the automobile business contemplate competition with Mr. Ford, we know that we are enjoying all the advantages of competition. Should the present manufacturers become inefficient, should they not follow their present rule of pressing for every possible price reduction and every possible improvement, some of us would not be long in organizing the capital and the technical staff to compete in what might be
termed an "easy" market. The automobile industry has attracted some of the best men in the nation and the best men in the nation recognize these facts, are not adverse to competition, press for every improvement and lower prices and, as a consequence, they have brought the automobile within the purchasing range of millions of consumers.

Organized labor, today, is attempting to avert competition. When a union goes on strike it doesn't say to the industry, "We refuse to work unless we get certain conditions and pay. If you think you can do better by employing some non-union labor, go ahead and see how you like it." Oh, no, the attitude is far different than that. It says, in effect, "We refuse to work unless we get certain conditions and pay. We will prevent anyone else from working in our places. Those who do not choose to belong to our union cannot work in your plant and they will have no say-so whatever about working conditions or pay."

Even this unjust attitude is not the worst in present practice. On the West Coast, where radical, left-wing labor leaders are in control of maritime labor, the issue is control of the "hiring hall." These labor leaders are demanding control and are saying to the employers, "You not only cannot hire non-union labor, but you will have to take the union labor we dictate." Here is a case of labor usurping the functions of management, a practice
viciously destructive of productive efficiency. It is “dictatorship by the Proletariat” raising its ugly head in America—a condition in which the “X” factor cannot possibly exist.

While much of the present labor attitude is of this militant variety and not in the interests of even labor itself, there is also a semi-peaceful but nearly as uneconomic an attitude on the part of many organized labor groups. Some of the best unions, like the carpenters’ for instance, have monopolized the competent carpenter market and set a very high price on their services. They allow no competition to exist within their trade nor will they work on jobs where non-union men are employed, even in other trades.

To understand the effect of this monopoly, one must think of the annual national income as a whole. That income is the aggregate of all production. That aggregate is some given amount, say fifty billions of dollars. Monopolistic groups, like the well-intentioned carpenters, _take from this national income an amount disproportionate to the service they render_. When this is done, the unorganized, the less skilled, the agriculturists and others have just that much less for their share. They have to suffer for the greediness of the others. These maladjustments create impoverishment.

The answer to this by the collectivists would be, “Let the others organize also.” But, let it be pointed
out, that organization would not increase the national income. *It would merely increase the competition for exploiting the national income. Class strife would be even more in evidence.*

The consequence of these rigidities, whether by wage fixations through union organization or price fixations on industrial goods through NRA regimentation, are lower standards of living. The ingenuity of man is given the wrong emphasis: business, laborers, agriculturists, bankers, veterans, home owners, and all the other compartments of a nation’s population get to thinking of their main objective as the grabbing of a disproportionate share of the nation’s income and not in terms of producing more goods at lower costs which will add to that income.

The carpenters, plasterers, plumbers, lathers, floor-layers, electricians, bricklayers and painters set up a Chinese wall within which they impose non-competitive wages, wages they wish and not wages the market commands; the manufacturers of lumber, concrete, plumbing, electrical supplies and paint hope to do the same sort of thing, and what happens? When they all get through with their non-competitive wages for labor and prices for materials, what happens? The price of a finished home is so great that only higher bracket income classes can afford to build one. And even they must build a home inferior to the one they otherwise
would build.

Impoverishment is a relative term. If no one can afford a home then the people are impoverished in respect to homes. A home is only one of the elements of wealth. If everyone had a home, everyone would be wealthy in that respect. The same principles apply to acquiring a general wealth as apply to acquiring a wealth of homes. All we care about in solving the problem of impoverishment is that every element of wealth—homes, furniture, food, clothing, education, fuel, transportation, et cetera—be produced so cheaply that they will be within the price range of those in the lowest income brackets. This can only be accomplished by more and more production. Every impediment to production is an economic vice, including artificial wage levels or artificial commodity or service levels. *If every group would comprehend that purchasing power does not come from high wages or high prices but that higher wages and higher prices are merely the symbols of greater purchasing power which, in turn, is based exclusively on production, our economic troubles would be little short of over.* For we do possess everything but the correct thinking as to how our efforts should be directed.

As inferred previously, subversions to the "X" factor are almost without number. The few discussed here only scratch the surface—they are merely illustrative. Every folly, all our ignorances
MISCELLANEOUS SUBVERSIONS

and mistakes, wars, class conflicts, ill-conceived legislation and the maintenance of out-moded institutions combine to effect impoverishment in the midst of plenty—tend to jam the natural flow of wealth to greater numbers of people.

What folly it is to suppose some panacea can create a material millennium when the real causes of our difficulties are rooted in the frailties and the weaknesses of millions of individuals!

There is no cure—there can only be modest improvement and even that depends on individual willingness to contribute many personal virtues. “. . . deducing the rules of right living in the world as it is . . . wearisome and commonplace tasks. They consist in labor and self-denial repeated over and over again in learning and doing.” For such is the price of a more abundant life.
CHAPTER XI

THE PROMOTIVE EFFECTS
OF A
GOOD GOVERNMENT

A distinguished economist recently said, "Unemployment can be absorbed only with a reviving industry. Will not industry revive and expand better under good government than under bad government?" The term "good government" opened a realm for speculation as to just what it would be like, what it would do and not do, and what its relationships would be to the citizens in their several classifications. Examination has disclosed a logical definition that gives such a government a most direct and influential bearing on lower costs —more goods and more services for more people.

The Significance of the New Relationships with Government

We are inclined to raise disdainful eyebrows when hearing of India's Sacred Cow. This attitude on our part may be a little inappropriate for it is not so certain that we haven't a Sacred Cow of our own. Recent events in the political elections and the behavior following the landslide of votes seem
to suggest our Sacred Cow to be, "The people have spoken."

Not admitting or denying that the successful candidate for President believes in or intends to practice what the return of ballots implied, it is no variation of the facts to assert that the landslide was an undeniable evidence of the people’s willingness, yes, demand, that government take over more of the responsibilities of individuals, that it do for the people what they have become reluctant to do for themselves.

The fact that a large majority of the people, on this particular occasion, entered such a decision at the polls in no manner stamps the decision as right—for example—Alberta’s social dividend fiasco. A mass decision may be, and quite often is, subject to greater error than individual decision. "The people can do no wrong" has no more validity than its older equivalent, "The King can do no wrong." * When strong currents of unwisdom are on the rampage, and history is filled with classic examples, it hardly becomes those competent to counsel wisely, to forsake their posts of opposition and silently steal away to the ephemeral cloisters of comfortable acquiescence. Yet, "the people have spoken" has had precisely such an effect.

* No doubt this phrase had its origin from "The King can do no wrong under the English Constitution." See Blackstone—"Commentaries On the English Common Law."
Thus, there has been added to the sins of political indulgence and to the frailties of a "will-powerless" race, the dignities of a "has been" leadership, crushed to impotency and brought "into line" by the mushy motives of a shallowly concocted social-mindedness and, incidentally, by the urge, "let's make some money where and when the making is good." While professing a thorough disagreement with their theories and methods, no indictment is intended of those who are socialists, of those who aspire to the order of the Totalitarian State, who believe such an order better serves society, socially and economically. Perhaps they are entitled to their opinions. At least their mere vigorous pursuit of them does not merit condemnation. As Voltaire wrote in his letter to Helvetius: "I do not agree with a word that you say, but I will defend to the death your right to say it."

But little less than contempt can be awarded those who turn traitor to their convictions, who run at the sign of a fight, who forego the exposition of an order they believe superior, merely for the sake of momentary expediency. Our form of government cannot endure in the face of complete acquiescence to majorities. That the literary mercenaries have provided our modern "turn-coats" with phrases and sophistries to cushion their erstwhile thinking and with which to rationalize this bigamist wedding to the alleged new love, known
as the "new order," does little more than make ridiculous a position already untenable. "If you can't lick 'em, jine 'em!!"

So the case for a good government, as presently defined, can be of little more than academic interest. Its remaining supporters are few in number and write a grammar at once uncompelling and unappealing, certainly unmarketable. They have nothing to offer that is new or untried except a new degree of economic virtue, of personal abstinence, individual self-control and political morality. While their motives are as fine and their objectives as high as they think the potentialities of nature itself will permit, these motives and these objectives appear drab and colorless when competing with the promised millenniums conceived in the minds of very ordinary men, "Little things in trousers slightly jagged." That all the Totalitarian States of all history have never delivered even a miniature millennium adds not one whit of support to the last defenders of the true liberalism and to the faith of our American fathers.

Responsibility is moving swiftly, surely, in currents at the moment unstoppable and unswervable, from the individual to the State. The American is shifting his position from master of the State to its servant. A few will remain behind, avoiding these currents, to mark the spot whence we departed so that, should we return, there may be a
record of our earlier mistakes and suggestions as to the route wherein a greater achievement lies.

*The Kinship of Government and Economics*

William Graham Sumner, in his classic of individualism, "What Social Classes Owe to Each Other," * made this observation:

"Unquestionably capital accumulates with a rapidity which follows in some high series the security, good Government, peaceful order of the State in which it is employed; ..."

Had the profound Sumner been thinking in the exact terms of this thesis, he no doubt would have said something to this effect:

"Unquestionably the free play of forces which compels an exercise of the ability to lower costs, thereby promoting production and insuring a distribution thereof, is released and given a fertile soil in which it can thrive (follows in some high series), when government is good, stable and peaceful, and impartial and impersonal in its attitude."

Some pages back, the "X" factor was defined as including "first, the ability to lower costs and, third, the free play of forces that compel an exercise of that ability." It can readily be seen then that there is here the contention that the type of government has a direct relationship with the "X" factor, in other words, a direct relationship with more goods and services for more people, a direct

* Yale University Press.
relationship with the problem of impoverishment. That is precisely what is meant. The type of government does have a profound effect on the release or restraint of forces which must compel or repel an exercise of the ability to reduce costs.

To comprehend fully this major point, one should consider the nature and definition of economics. Economics is not an exact science like mathematics, physics, astronomy or chemistry. In exactness, economics is somewhat akin to medicine. Much is known—very much remains to be known. The physical laws of economics, such as diminishing returns, supply and demand and the like are well known and precisely definable, but the science of economics includes the reaction of human beings to these physical laws and it is in this field of human behavior that much remains for study. In this latter phase, economics can be said to be an exact science only to the extent that human behavior is constant. That makes it rather inexact. While human behavior has a constancy about it, much of which is already recorded, there are no known means of anticipating its unrecorded actions and reactions. Past experience is the only basis on which any human behavior can be anticipated. Anything beyond that is conjecture, pure and simple. And conjecture in this field has been conspicuously inaccurate and therefore costly, not only materially, but costly in human suffering. No one
THE ROMANCE OF REALITY

could be an economist on whom a dependency for
untried plans should be reposed except one who
has a complete mastery of mass psychology. And
who will boast of any such attainment?

Here is a thought-provoking paragraph along
this line, written by Herbert Spencer in his “Man
Versus the State”: *

“\textit{Alike to the citizen and to the legislator, home}
\textit{experiences daily supply proofs that the conduct of}
\textit{human beings baulks calculation. He has given up the}
\textit{thought of managing his wife and lets her manage him.}
\textit{Children on whom he has tried now reprimand, now}
\textit{punishment, now suasion, now reward, do not re}
\textit{spond satisfactorily to any method; and no expostula}
\textit{tion prevents their mother from treating them in ways}
\textit{he thinks mischievous. So, too, his dealings with his}
\textit{servants, whether by reasoning or by scolding, rarely}
\textit{succeed for long: the falling short of attention, or}
\textit{punctuality, or cleanliness, or sobriety, leads to con}
\textit{stant changes. Yet, difficult as he finds it to deal with}
\textit{humanity in detail, he is confident of his ability to}
\textit{deal with embodied humanity. Citizens, not one}
\textit{thousandth of whom he knows, not one-hundredth of}
\textit{whom he ever saw, and the great mass of whom be}
\textit{long to classes having habits and modes of thought}
\textit{of which he has but dim notions, he feels sure will}
\textit{act in certain ways he foresees, and fulfil ends he}
\textit{wishes. Is there not a marvellous incongruity between}
\textit{premises and conclusion?”}

PROMOTIVE EFFECTS

The orthodox economist is one who has recorded human behavior in relation to a variety of conditions and bases his recommendations on the good results—his objections on the bad ones. He confines his experiments to the laboratory of speculative thinking and insists that the testing of new and untried ideas be confined to small and immunized operations.

The heterodox economist is one who discards and disregards the work sheets of experience and proposes to use a whole people as his laboratory. He thinks his proposals meritorious simply because his objectives are idealistically high. He, quite radically, fails to see any inhumanity in the not remote possibility that his brain-children won’t deliver to the level of his romantic expectations.

Economics, like psychology, is a study of human behavior in relation to a variety of given conditioning factors. A study of these conditioning factors is necessary. They embrace government as well as geography. Economics can grow as a science only as it is lived and meticulously observed and recorded. Changes in economic practice should be by the process of evolution, of necessity slow but, more important, orderly. The revolutionary process based, as it must be, on sheer speculation is dangerously destructive, therefore inhuman and anti-social.
Human behavior is profoundly influenced by the nature and type of government. Therefore, any consideration of the economic problem, "Impoverishment," should include some observations as to the type of government under which economic results are most felicitous. The "X" factor finds its greatest possibilities for promotion under a good government, for subversion under its opposite.

A Good Government Defined

What is a good government? For one thing, it is a servant of all the people. It takes no sides. It can have no "teacher's pets." It cannot be a government that divides the population into classes of business, labor, agriculture, bankers, veterans, the North, the South, etc., and then take the side of one group or the other, which at the moment appears to be the politically expedient thing. Insofar as a good government should have any economic interests, those interests should be directed to the people as consumers. For the only common denominator in a population, economically speaking, is the consumer. The object of a good government's economic affections should be the consumers and not groups and classes. In no other way can a government remain good. To shower its affection on a group or a class it must evidence a greater devotion to a group or a class than to the remaining groups or classes. In so doing, distinctions are
created and the government becomes relatively unfriendly to those groups to which the overflowing cup of friendship is not extended.

A good government is one whose administrators must think of themselves only as representatives, as servants of the people, administering just laws, impartially and impersonally. They must never assume the notion that election or appointment to office places them in positions from where an undelegated, arbitrary attitude is permissible. They must never think, the minute they are in office, that they are the members of a new class, a different interest, that they must fortify their new positions by intrigues and favors to assure their permanency. Needless to relate, it has been because of a violation of these political ethics, that contempt has developed toward "politicians" and, in turn, that "politicians" have assumed a vested interest attitude toward their offices and have felt compelled to use every device to perpetuate themselves. What else but this politician-versus-people attitude could account for the applause by intelligent people given a recent book entitled, "Our Enemy, the State"? A government cannot be good when its officers and administrators feel that their interests are different from those of the people, any of the people, they represent.

A good government recognizes that the best interests of the people are served when government
keeps itself to the very minimum compatible with actual necessities. Such a government will keep a vigilant lookout for any possible excesses in its growth and cost.

A good government will scrupulously observe a disinterested attitude in the behavior and conduct between its citizens and will interfere only to assure fair play among them. It will assume the rôle of umpire and realize that that is as far as its function goes in this respect.

A good government will maintain order, suppress crime and racketeering, assure justice, conduct international relationships, do a minimum of necessary duties beyond the powers of private enterprise to perform, regulate certain monopolistic businesses in the public interest and maintain a minimum national defense compatible with national safety. It will not engage in competition with its citizens (isn't the State only All-of-us?) in affairs the citizens can possibly conduct themselves.

A good government will refrain from entering an activity, even if the government's conduct of it can be proved superior, if, in so doing, a precedent is established or an initiation is given to a trend that eventually will prove dangerous.

In fiscal matters, a good government will set the example in economy, in controllable indebtedness and in the virtues of assets over liabilities. It will serve as a model in the high regard for sanctity
of contracts. Government’s obligations must be kept inviolable. Its taxing system will be as fair and as equitable as highly endowed and disinterested individuals can make it. The taxing power will be used for securing revenues only, not used to achieve a partisan-conceived social reform nor ever used to punish groups in political disfavor. It will issue the currency and coin the money and its only interest in this respect will be to effect a stable medium of exchange, permitting long-range business transactions, and to insure a repository of value in which confidence can be reposed through succeeding generations.

A good government will resist to the utmost the efforts of any groups to use the government as a vehicle to their own ends. It will close the gate to the political means as an avenue for man to satisfy his wants. A good government will leave man only the economic means through which to seek his material satisfactions, but will so perfect every instrument of government that success through the economic means will be facilitated and made easier for everyone.

A good government will be a government of laws and not of men. A people must never be subjected to a “Do this. Do that” order, insured in a government of men, impossible in a government of laws.

There is one point transcending them all in any definition of a good government. It has to do with
The government's economic responsibility to the individual citizen. A good government will set itself in such order that its citizens can best find an expression of their abilities and their virtues. The arena for citizen activity will be kept in good playing order, decently policed and fairly umpired. But the government, as government, will not have a concern as to who wins or who loses so long as the play has been fair and the rules of the game properly interpreted.

A notion contrary to this has been and is responsible for much of our trouble. People failing to win in the game of life, have turned to the umpire demanding favoritism in the interpretations of the rules and are now asking the umpire to carry the ball for their side. In the first instance this idea may seem all right, but a precedent is established and as play, first here and next there, becomes unbalanced, the umpire finds himself hopping all over the field trying to help all sides to win. The dignity of the umpire becomes destroyed. He is a friend only when he is carrying our ball, an enemy when carrying the other fellow's. The contempt for the umpire must soon become general and then there will be no ordered arena in which the citizenry can operate.

If government can do our job for us better than we can, then the case for socialism is complete. Why not admit it, all join the government and
perform all duties through government? Why not stop right now and organize and plan the best possible kind of socialism? Why drift aimlessly on, attempting the merging of irreconcilable philosophies, toward that order, which at best, can be nothing more than a bastard socialism?

If socialism is not the answer, and we will frankly admit it, then government has no business taking any sides of any group or class against any other group or class. The point is, conceding we have an arena permitting equal opportunity, if we can't do a thing for ourselves we had better consider it can't or shouldn't be done. To invite government interference in our behalf is to justify it in another's behalf, which, sooner or later, must command national disaster. That will kill the possibility of success for any one, for all of us. A good government does not meddle in the legitimate affairs of any or all of its citizens. It merely keeps the arena in good shape for playing the game.

Certainly, no good government, as thus defined, would usurp any powers or prerogatives not specifically delegated to it by its citizens. As a matter of fact, it would frown on any delegation of powers, except in extreme emergencies, that was not done after long and careful deliberation, and then only sparingly. One searches the pages of history in vain for examples of delegated power later relinquished—short of revolution. A good government would
be the first to avoid this destructive trend.

Is a good government as here defined a mere dream? Very likely. Too few are willing to sacrifice their present unsupportable positions (little recognized as unsupportable) to contribute the effort necessary for its fulfilment. Too many prefer filching the magnificent edifice of our national being to a life of personal contributions that made the edifice possible.

Is such a government merely ideistically high, impossible of attainment, practically not to be expected? Realism dictates the answers be somewhat in the affirmative. Nevertheless, a working, wealth-producing civilization, a personally satisfying body of aggregated humanity must have a contribution of virtues approaching the ideal. There cannot be a high order of civilization unless there is a substantial accompanying manifestation of these ideistic attributes. The law of the universe denies the bountiful blessings assured a perfected society to a people who refuse to rise above the level of paleolithic behavior. This law says: “You will learn and adopt civilized conduct or you won’t reap civilized results.”

Is a good government complicated? No, it is simplicity itself. “Shoemaker, stick to your last,” that’s all.

Is it reactionary? Yes, in the sense that it calls for a restoration of the virtues, ideals and realities
characterizing some of our earlier nationals. Yet, in another sense, the idea is extremely radical. Our government, and most of the other governments of the world, are headed in the other direction so fast they are afraid to stop. Somewhat comparable to the drunkard who fears to stop drinking lest the shock kill him. Perhaps it would. But in stopping there is hope—in going on there is nothing ahead but the new name we will give an old order, all of the essential characteristics of which are found alike in Communism, Fascism and Nazism. It is radical to demand the overthrow of a present trend.

Promotion By Anti-Subversion

In appraising what would happen under a good government, we first discover that certain promotive effects are developed by the automatic elimination of several subversions previously discussed. For purposes of example only:

a. Government over-expansion with its economically enervating costs would cease. Expansion would go on in some sensible ratio to the growth of wealth and population.

b. Government mis-direction would no longer exist because a good government would not think in terms of groups and classes, and would play no favorites anyway.

c. Government intervention into the fields of private enterprise would not be so much as entertained.

d. Consumer Cooperatives, for instance, couldn’t em-
ploy the *political means* to gain a competitive advantage; neither could any other group.
e. Inflation, arising from mismanaged fiscal affairs, would be impossible.
f. Business could not get another "NRA" nor labor a "thirty-hour week," nor any other group its pet competition-destroying Chinese Wall.

Now even these subversions to the "X" factor are not exactly inconsiderable. Patience would assure the listing of many more. No doubt, the elimination of merely these few would so favorably effect the economy that what we now call impoverishment would cease to be a leading national problem. But all of this is promotion by anti-subversion. Nevertheless, in many respects, is not a rectified evil equivalent to an achieved good?

*Direct Promotions Responsive to Good Government*

Now then, what is there actually promotive to be expected from a good government? For one thing, everyone (there could be no exceptions) would be forced to the use of the *economic means* to supply needs and to satisfy desires. There could be no other way, for the *political means* would be closed. Everyone would have to engage, in some manner, in the production and distribution of goods and services. These being the only elements of wealth, everyone would be engaged in produc-
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ing and distributing wealth. Under a good government even the politicians would be included in wealth production, since a good government is essential to an ordered society, without which wealth production and distribution is impossible. Politicians, servants of the public interest, would be a very realistic part of the process.

As a rule man has produced his best when he has lived in a society where assurances have been given that he will be permitted to keep that which he has acquired, in a society where he has been guaranteed the fruits of his own labor. History demonstrates that man has been subjected to the predatory practices of government as well as by other men or criminals. A good government is a promotive factor because it engages in no practices that either unjustly absorb or take away from the citizen that which he has earned for himself. Thus, because of the behavior of a good government, man's energies are released to the extent he possesses energies.

There is one other basic characteristic to a highly civilized economy that can only be preserved under a good government and that characteristic is economic voluntarism. Our American system, as we have known it, has been given a variety of titles: the competitive system, the system of laissez faire, private property, capitalism, the market economy and the profit system.

Professor T.N. Carver in his report on the prob-
lem, "What Must We do to Save Our Economic System?" has this to say:

“Our economic system is essentially a voluntary system under which men work together on the basis of voluntary agreement, or contract, rather than on the basis of coercion, or the authority of the few and the obedience of the many.

“It is not essentially a system of competition, though competition will exist under any voluntary system; of laissez faire, though within the field of useful work, men are let alone; of private property, though private property will exist in any voluntary system; of capitalism, though capitalism will exist in the absence of coercion; of markets, though markets will exist wherever men are free to buy and sell; of profits, though profits will exist wherever men are free to work for themselves.

“Voluntarism is more fundamental than any of the above-named characteristics of our system, since they all depend for their existence upon freedom from violence, freedom to work together by voluntary agreement, freedom to own, to buy and sell, and to enjoy what one has produced or purchased.”

It ought to be obvious to anyone who will ponder the problem that economic voluntarism, under which so many other factors absolutely essential to economic welfare are nestled, can exist at its fullest only under a good government. It cannot exist at all under the opposite of a good government—the
Totalitarian State. There are many gradations between these two types of government. Voluntarism diminishes, it fades, and with it the possibilities for material welfare, as governments approach Totalitarianism.

The United States, today, is the wealthiest nation all history has ever known, not because government created the wealth but because, during the past three centuries, several hundred millions of individuals, working competitively and cooperatively, have made contributions to a startling aggregate of wealth. They have left as their heritage to succeeding generations an amazing array of productive farms, efficient factories, unrivaled transportation and communication facilities, homes, office buildings and other essential instruments to future welfare.

While, during these three hundred years, we probably have never had a 100% good government, we have had a government better than any other people have been able to devise. It has not been perfect nor can it ever be, but it has been nearer a neutral government and has interfered less than have the others. As a consequence, the spirit of the individual was unshackled. His energies were released. Initiative, resourcefulness, courage, inventiveness, confidence, specialized knowledge and individual objectivity fairly blos-
sommed in this atmosphere of assured reward for demonstrated merit, all going to compose highly endowed individuals. They created the wealth. They gave society more than they used. These free spirits, protected against the ravages of criminal individuals and predacious governments, built our national edifice. The total of their contributions made our national wealth.

We talk a lot about programs. "If you're opposed to this plan of government, what plan have you to offer in its stead?" is a common question. The inference is, "What alternate form of governmental planned economy have you to propose?" The answer is, "We do not want nor can the people prosper under any form of governmental planned economy." About all we want in the way of a plan is a plan that will get the people to understand what their relations to government should be, what the functions of government should be, and how this relationship can be adjusted to release to the fullest the potential productive capacities, the energies, the enterprising attributes, the virtues and the genius of the individual.

As in a delicately made watch, the several mechanisms of which are all-important and essential but none of which can produce the desired result alone, so it is in this problem of more goods and more services for more people. Many factors, nicely balanced and smoothly running, are all-important
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and essential. None of them, however, can achieve the desired result by themselves. A really good government is the "mainspring" to progress. It is a first requisite to any promotion of the "X" factor.
CHAPTER XII

THE PROMOTIVE EFFECTS OF MACHINERY

New machines, scientific improvements and the like, often referred to as "technological development," have received more than their share of unwarranted abuse. Curiously enough, much of this abuse has originated with the laboring man, the very one whom the machine has helped the most. But, like a lot of other problems in the economic field, the answer in the case of shallow reasoning is the direct opposite of the answer in the case of thorough reasoning.

For instance, a laboring man seeing a huge machine doing the work of several hundred men, is all too likely to regard the machine solely from its labor-displacement angle. "What chance has a laboring man in competition with such contraptions?" he asks. All sorts of schemes have been suggested to keep out the introduction of new labor-saving devices. As an example, labor, today, is pressing with all its political ability for a law limiting the number of cars on a freight train on the theory that more trains will require more train crews. Better roadbeds and higher powered locomotives will be of little use if this idea should be
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embodied into the law of the land. It is one thing for government to repress bad practices and criminals but it is quite another to repress invention and technological progress.

The shallow thinker asks only the question, “Do not machines displace labor?” The obvious answer is, “Yes, most assuredly they do.” The thorough thinker asks a second question, “Is it possible machines create more jobs than they displace?” We can really get some place with the second question whereas, with the first, we were stymied by a lot of contradictory evidence.

Machines have been introduced in greater profusion in the manufacturing, construction and service industries than in any other branch of our productive and distributive processes. In 1820 the United States had a population of 9,638,000 and we had 439,000 people employed in these industries. In other words, one out of twenty-two of our population was employed in these industries. In 1930, we had a population of 122,775,000 and 14,111,000 people were employed in these industries. It can thus be seen that in 1930 we had one out of nine of our population employed in these industries. Quite a remarkable change and all the evidence supporting the machine as the creator of greater employment!

In the Cleveland Trust Company bulletin for March, 1935, Colonel Leonard Ayres shows that the
number of people in this country, above 15 years of age, who are gainfully employed, has increased faster than the total population since 1870. While the population increased 319 per cent, the gainfully employed above 15 years of age increased 409 per cent. Again, according to the censuses of 1910 and 1930, the number of people above 20 years of age gainfully employed was 30.6 per cent of the total population in 1900. In 1910 the percentage had risen to 33.4; in 1920 to 34.6 and in 1930 to 35.9. This increase in the percentage of people gainfully employed does not indicate that machines had destroyed more jobs than they had created.

The reason for this sometimes-regarded phenomenon is apparent with but little examination. Take the San Francisco-Oakland Bay Bridge or the Hoover Dam, for instance. Neither one of these projects, supplying labor to thousands over a period of several years, could have been built without the aid of machines. The automobile is another of hundreds of excellent examples. While it might be possible to make an automobile with only hand tools, it is readily evident to anyone that the cost of such a car would be so high that none but the very wealthy could afford it and probably none would buy it. Few, if any, would be employed in the automotive industries without the economies of machinery.

The question, "Is the machine the friend or the
enemy of the laboring man?" finds no better answer than in a perusal of immigration records. Does American labor tend to drift to other countries with fewer machines or do we in this country, with more machines per capita than any of the others, find it necessary to erect barriers to keep foreign labor from sharing our superior labor markets? The answer is self-evident.

We want to find employment for our unemployed, do we not? How can that be done? By making more goods. But how can we make more goods when there is no market? Simply by creating a market. How do we create a market? By reducing the cost of goods so that they will be within the purchasing range of constantly smaller incomes, that is to say, so more people can satisfy their desires by being able to purchase these goods. How can we reduce costs? By introducing efficiencies, such as a mechanical device, that will produce a given product with less man energy, with less labor.

Shallow reasoning concludes that less labor per unit product means less labor for the manufacture and distribution of that product in the aggregate. Thorough reasoning and all the available evidence conclude that lower costs of a needed and desired product so greatly multiply the demand for the product that more labor is required in spite of less labor per unit product, which was responsible for
the lower cost in the first place.*

After all, in dealing with the problem of impoverishment, employment is not the ultimate objective in and of itself. The ultimate objective is the supplying need, the creation of a national plenty. Employment is only an incident, although a mighty important one, to that objective. Most of us work not merely because we want to work. We work because it is the means we use to satisfy our desires, to supply ourselves with necessities, and luxuries, if possible. Therefore (to reduce the proposition to an absurdity), if machines could produce for us everything we desire, there are not very many of us who would kick or find fault because of no work to be done.

When laboring men and their organizations or politicians or any other groups place the blame for impoverishment and unemployment on machines they are confessing their ignorance. They are pointing their finger at the wrong cause. They are diagnosing the problem entirely incorrectly. Technological unemployment is a myth beyond relatively minor and temporary displacements. Of course, the buggy worker was forced out of buggy

* The automobile is an excellent example. As labor-saving devices were introduced, costs were lowered. The lower costs have always stimulated new demands requiring more labor than was used previously. To a very large extent the undermining of this principle, i.e., the absorption of the savings before they reach the consumer, has caused poverty and progress to march hand in hand.
making when the automobile developed, but there are many more employed today in the manufacture of vehicles than there were then, in which group the buggy worker was no doubt absorbed.

The machine is the laboring man's best friend because it materially assists in the reduction of costs of the necessities which the laboring man has to buy. That these reductions in cost have not always reflected themselves in a lower selling price of the products, in other words, that the benefits of the machine have not always been passed on to the consumer, is quite another problem. But that is not the fault of the machine!

What or where or who are the parasites that are sapping these benefits? These points are being developed and will be summarized later. Let it suffice here to shame the animate men who will blame the inanimate machine for man's shortcomings. The machine is one of the greatest promotive instruments to the "X" factor.
CHAPTER XIII

THE PROMOTIVE POSSIBILITIES
OF GROUP ACTIVITY

A little of each of the best of us
Must be voluntarily dedicated to all of us.

An earlier statement contended, and it seems the contention should be clear, that all the elements for the better solution of the problem of "Impoverishment" are available. We live in a friendly climate. Our soil is fertile and productive, at least we admit it when we engage in the puerile practices of crop restriction. Our factories are adequate, or if they are not, there is no lack of brick and mortar and steel to make more of them. We confess to no shortage of natural resources. We stagger under a load of unemployment which suggests no lack of a labor supply. We have millions of people who do not possess actual necessities and millions more who possess a profound desire for more of the comforts and luxuries of life, indicating no absence of a market. No country in the world has, or ever has had, an approach to our transportation and communication facilities and there are no material impediments to our having still more.

The mere existence of these facilities, of them-
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selves, cannot solve the problem. Other countries have had, and do have, nearly as great a basic, natural advantage and yet their people are far more impoverished. The essential difference exists in the degree of human intelligence and ingenuity that can put these natural basic blessings together and make them work. A dunce could be given the separate pieces of a highly developed airplane motor but their value to him would be only so much junk metal. An intelligent mechanic could fit the pieces into a beautifully functioning mechanism, the value of which would be several thousand times the junk of the dunce.

The purpose of this chapter will be to explore the possibilities of developing intelligent action and behavior through the instruments of voluntary groups: chambers of commerce, trade associations and labor organizations. That many of these groups have been woefully inferior to their potential achievements in no measure closes the door to their future possibilities. If there are in them some inherent qualities, yet undeveloped, it behooves us to determine what they are and to see if these qualities will not fit the pattern of some of our pressing economic necessities.

Our Problem Requires a Certain Type of Leadership

One would have to be a fairy-tale victim even to
hope that an uncoordinated mass of humanity could evolve an intelligent technique in correlating the confusing factors necessary to a perfected society and economy. That idea passes consideration. That anything beyond a mess of organized confusion could possibly flow from political management needs only the abundant evidence of our own experiences and of all history, for that matter, to support it. It is when politics enters this field that politics becomes what it ought not to become.

Representative government, a high order of which would be a good government, presupposes a wealth of voluntary leadership. This quality of leadership is as much an essential ingredient of our system as the institutional tenets upon which the system itself is based. But voluntary leadership does not arise from and ride on the wind. It requires a stimulus to birth and a vehicle to assert itself. On occasion, it is stimulated to birth by and rides on the vehicle of politics. That type has been dismissed for the purposes we here seek. Leadership is born in and rides on such institutions as churches, schools, corporations, private businesses, social welfare leagues, the military and a host of others.

The type of leadership we require in dealing with the problem of "Impoverishment," or to state the problem positively, "More goods and more services for more people," must be essentially eco-
nomic in its purpose. Although it very likely will be drawn from professional, educational, religious and other groupings, as well as from business, it must be funneled through a vehicle that will give it an economic objectivity—through a vehicle that will emphasize the economic direction, to the substantial exclusion of the specialized interests which compose it. A vehicle must be found that will permit and encourage a general disinterest in matters extraneous to the economic purpose; that is, while this leadership is functioning through this vehicle and in the interest of this purpose.

In looking over the several vehicles, in which leadership is reared and given effect, there are none lending themselves so well to this purpose as chambers of commerce for geographical representation, trade associations for industrial representation, labor organizations for labor and farm federations for agriculture. If the behavior of many of these associations in the past deny the possibility of a better performance in the future, we are left in a discouraging position. There are no other existing groups so naturally equipped for the job.* New

* This point and the thought surrounding it may be easily misunderstood. The writer is referring only to groups and is not denying, in the least, the potential benefits that can flow from individual effort, particularly from well-known and statesmen-like leaders, whatever their field. For the most part, however, the vast majority of us, under modern conditions, do not qualify for effective individual leadership of the kind we are here seeking. Most of us are not these great men. There being an insufficiency of really great men, it is therefore necessary we give some character to our single voices that are
organizations, even if properly geared to present necessities, are most difficult to get under way.

The overhauling process, on a rather wide front, or a completely new construction, is the only hope of improvement. If the former, a new viewpoint must be supplied, the broader motive made clear. An argument, singularly compelling in its appeal to a new kind of enlightened self-interest, must find an ever-widening sponsorship. An ethic, moulding in the brains of a few idealists, must be brought into the open and given the life of practicability. *Dormant leadership, everywhere in evidence, must assert itself and, if you please, do the overhauling of these very vehicles through which it must later function.* The possibilities are here if we but have the vision to see them and the courage and ambition to effect them. The alternate road is so obviously *Statism* with its attendant bureaucracy, red-tape, political bungling, loss of freedom and a static, if not a retrogressive, economy, that the proposition fails to make argument. *We will voluntarily do a constructive job of learning what ought to be done and then do it, or face the alternative of being coerced into mis-direction and assured disaster.* These are the two real routes between which "America Must Choose."

only rustlings in the wilderness. Thus the significance of the group and the importance of its direction.
A Leaderless Economy Is an Under-developed Economy

One of our foremost statesmen made a remark recently something to this effect: "It is the responsibility of business to pass on to the worker and the consumer a substantial part of those benefits accruing from the machine and other scientific advance." No truer statement was ever made. But of what practical consequence is it if business merely has that responsibility? What if "business" doesn’t know how? Go out and talk to "business" by the thousands: the corner delicatessen man, the haberdasher, the druggist, the grocer, the small manufacturer, the big manufacturer, the banker, the wholesaler, the bus line owner, the pickle packer, any and all of "business." Ask the question, "How can more people have more goods and services?" Except in isolated instances, the answers will compare favorably with "Buy in Fizzleville," "Run the Chains out of business," "Spend 'til it hurts," "Pass a law guaranteeing everyone a profit," and "That's Washington's worry."

The above is an example of democracy "in the raw"—democracy blundering along on one cylinder—democracy without that absolute essential: a dynamic, compelling and educational voluntary leadership. Not that there is a lack of thought, even excellent thought—there is plenty of think-
ing. But it is specialized thinking, thinking about me and my business, my specialty—right now! Not much given to the long pull.

Each of us to our own specialties—yes. But a highly specialized economy demands there be not only some highly specialized thinking about the correlations of all our specialties, but that there also be a fairly broad understanding of what the thinking is all about. It is in this field that we are distressingly weak. The old adage, “Everybody’s business is nobody’s business” has come to plague us in a very realistic manner. If there is any one characteristic among us that is nearly unanimously applicable it is, “let someone else do this type of thinking—it isn’t any of my concern.”

And what a pretty kettle of fish this attitude is serving up to us! Like a pack of hungry wolves, the political collectivists have stood avidly by, lapping to their coercive selves every drop of the voluntary function that we, either carelessly or lazily or incompetently, have allowed to slip from our fingers. With this passing of function from the voluntary to the coercive goes the key to the control and direction of our entire economic system. And it follows, as does day the night, that the control passes from men whose success must be predicated on business acumen to men whose success depends on political sagacity. “America Must Choose.”
A Realistic Look At Group Activity's Past

Chambers of commerce, trade associations, labor organizations and farm federations were originally organized, for the most part, to promote the interests of communities, of types of industries, of laboring men and of farmers. And never think for a minute that a lot of them have not succeeded in acquiring, in a very substantial way, those objectives they sought in the beginning. Perhaps many of those objectives were not in the public interest. Perhaps they were not in the long-range interest, even the immediate interest, of the sponsoring groups themselves. But the point is, these groups have an unmistakable record of accomplishment.

These groups are instruments of power. They make articulate and give a direction to a variety of individual ideas and gradations of opinion which otherwise would amount to little more than a babble of ineffectualities. Because of this influence, these voluntary groups are in a position to do a measurable good if their direction is correct—they can be equally harmful if their direction is wrong. Thus, because of the sizable fraction of the citizenry for which they speak and because of the consequent influence which they wield, their standards, their moral concepts, their system of ethics, their social principles and, above all, their economic policies become matters of paramount
importance.

That these organizations have been so glaringly ineffective in dealing constructively with the overall, broad problems, and the record of events furnishes us all the undeniable evidence necessary, has been partly because of a lack of consciousness of their relation to those problems rather than a lack of potential ability to so perform. They need nothing but the will to set themselves to the task.

Not that Chambers of Commerce haven’t gone beyond their local boundaries with their influence, that trade associations haven’t gone out of their markets, and that labor and agriculture aren’t familiar with Washington, D. C. On the contrary, they have tried their wings—plenty. But, on the whole, they have employed an ethic, they have pursued a course, quite the opposite of the one here suggested. To an extent, economically unpardonable, almost unexplainable in the light of present necessities, they have entered the broader field not as the Sir Galahads of obviously right principles, but rather as organized exaggerations of the specialized interests they represent.

To detail the cleverly planned raids on local, state and federal treasuries, to recapitulate the unsound subsidy legislation written on the statute books, to recount the complete sacrifices of principles earlier espoused in swap for some unworthy project, in short, to enumerate the economic sins
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committed by all these groups, farmers, laborers, veterans, business men and others alike would be to confess a condition of decay to which we are as yet unwilling to admit. A lot of these fall little short of racketeering, dignified by a "nest-feather- ing" legality and excused on the grounds of economic ignorance. In the commission of these sins, to what extent is suggested the use of the political means?

Not all of these groups have such an inefficacious behavior to their credit. There are some remarkable examples of just the opposite type. It is because of the record of the latter that we are certain a right course is not only possible but as practicable as it is desirable. From the experiences of these better groups will be based our deductions, our opinions, our arguments, our warnings and our recommendations. A constructive and economically sound course has failed to result from the group activity movement not because of any lack of potential ability to chart and sail such a course, but because the groups rigged and equipped to do so have been and still are in a striking minority. It must be obvious, then, that no success can be expected from these sources until the present minority becomes a future majority.

Quite often the best way to make constructive suggestions is to criticize present practices and to demonstrate existing weaknesses. If you turned
your car over to a mechanic to repair the ignition system and you caught him puncturing your tires, it would be constructive to suggest he quit puncturing the tires. If, at the same time, he possessed a peculiar knack for fixing ignition systems, it would seem to be constructive to point out where he should be directing his attentions. Many of these groups have been puncturing the tires of our economic machine while possessing at the same time a peculiar adaptability for perfecting that machine.

It is not here necessary to detail the tire puncturing. Such practices are self-evident to those who have engaged in them, and they are the principal ones whom the indictments concern. But it does appear necessary to detail some of the underlying reasons that have resulted in these groups not performing the broader duties for which they are so well adapted and to which present necessities beckon so compellingly. Let us treat with the business organization.

The Local Business Function Broadens to a National Sphere

A decade or so ago business decisions concerning any particular business were usually made exclusively by the executives of that business. If the problem had a general relation to all in a given line of business, the decision was made by the trade association. Similarly, problems of a community
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character were usually decided within the boundary lines of a given community. On occasion something concerning the county seat or the state capital would arise but even these occurrences were the exceptions and not the rule. Business was, on the whole, executed within local or industrial boundaries.

But a centralization of affairs, economic as well as political, set in. Today, as everywhere discussed in this thesis, tremendous authority over the business function is reposed in Washington, D. C. The business decision is no longer local or industrial but, to a marked extent, national. Being national, the individual conducting a business no longer retains a complete control over the business he presumes to run. Nor has he, as an individual, any access to or “say-so” of what these national, centralized, bureaucratic decisions will be that so thoroughly decide the destiny of his enterprise. The former local or industrial economic function has become a present national, social function. That which was formerly one man’s business has become a nation’s business with those we elect to public office or their delegates in control.

Damn the trend all we will. Deny its right to existence. Berate the bureaucrats who tell us what we will or will not do. Work our heads off to change it. Nevertheless, this is an existing condition. It is a realistic thing with which we must deal
or, short of dealing with it, accept the only alternate verdict: leave the conduct of our economic affairs in the hands of selfish, predacious, political minorities or perhaps majorities; does it make any difference?

Dealing effectively with our problems that have "gone Washington, D. C.," is impossible, individually. We must do it through a voluntary, group activity. What or where are those groups? They are our Chambers of Commerce and Trade Associations. True, they were formed in the first place to promote the interest of communities and industries. But were they not formed to deal with those problems which lent themselves better to group treatment than to individual treatment?

It is at this point in the argument that there exists an imperfect understanding. These instruments we have set up for our use, business associations, were formed to deal with those problems we could better handle collectively than individually. The problems, by far the paramount problems, requiring this type of consideration, are no longer the ones we can still handle locally and industrially—they have become national in their character and still require local treatment, but on a nation-wide scale. Our leading problems have changed their position. Is it not obvious then that we should change our tactic to meet them? If we were playing safety on a football team, would we not shift our
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position to tackle an elusive half-back of the opposition? We probably would do some shifting or we wouldn’t meet that football problem. In our organizations we will shift our positions or we won’t meet our economic problems.

Now a change to this new tactic isn’t easy. As a matter of fact, it is quite difficult, which, in some measure, accounts for so many of our commercial and trade organizations remaining their same ancient selves. This change involves less of a disestablishment of existing routine than it does an acquиrement of a new set of unfamiliar practices. Dealing intelligently with national affairs suggests a little different gearing than that required for getting out a folder, promoting a fair or a poultry show, enticing smoke stacks from other cities, running a banquet, sponsoring a bond issue, publishing a trade bulletin or signing the membership to a price agreement or production control program. Too many organizations have demonstrated a hesitancy to explore the technique of successfully operating in this field.

For one thing, this field lacks the ready opportunistic attractions which all too much have served as the guide in framing local and industrial associations’ programs. Literally hundreds of them have selected their program activities on the basis of immediate cash returns—on the basis of a thoughtless membership support and applause. And they
have done this with little regard for right principles, not only because they haven't stopped to inquire as to what constitutes right principle but also because they haven't been able to resist that nation-pervading urge, "let's take the money where and when the taking is good." Some of these mis-doers, given to quick-wit rationalization, defend this sort of program-devising on the shallow pretext that the best test of any program is whether or not the membership will pay for it. Here again, is a reliance upon democracy "in the raw"—a leaderless democracy. The idea is pure poppy-cock.

"But this is only a small community; we have no interest in nor are we able to deal with such complicated problems," opines the membership multitude. It is the membership multitude speaking, for urban America is little more than an aggregate of small communities. There are only twenty cities in this country larger than Indianapolis! Do the people in the small communities or the small industries wish to have the people in the large cities or the politicians dictate their affairs? Of course not! Granting this conclusion is correct, what is the answer? The obvious answer is: the people in the small as well as the large communities, the people in the small as well as the larger industries; in short, the people who compose the small as well as the large associations are going to perfect these associations to deal intelligently and effectively with
their affairs that have gone beyond their individual reach. If they refuse to do this, if they fail to perfect these associations to their potential peak of usefulness, they are saying in language as clear as the English can be stated, that they are willing to submit to, or at least are unwilling to resist, a system wholly alien to the American way of life, a system diametrically opposed to the American philosophy of government and private enterprise.

What about the ubiquitous excuse, "The necessities of my business don't permit me the time to engage in these affairs"? Well, there never was a proposition more clearly evident than the fact that these affairs are an integral part of every business. Unusual situations require unusual treatment. Such is the present situation. No man is doing a good job of management nor is he being complete in his duties unless these broader affairs are embraced in his activities. Especially is this excuse to be condemned when one considers the effectiveness and the conservation of each individual's time that can be attained through perfected association work. That that work is oftentimes not on a perfected basis is solely the fault of those who have a right to be considered for leadership. Too many business men seek to escape any contribution of brain or effort by the executive gesture of writing a check. And, these days, to harbor the notion that in the conduct of our several pursuits we can confine our
mental capacities and efforts to the four walls of our business, industry or community is to confess a singularly shallow understanding of the society in which we live. The society will not long be a fine edifice with that kind of thinking.

There is one other thought on this matter worthy of mention. If these broad, national problems are not the concern of the more enlightened people in your community—you yourself, for instance—then whom do they concern? Is the next fellow better equipped? Does some other city possess better leadership? Is the superior thinking grass greener in Othertown? Have others the answer when you and your colleagues have not? No, the situation is about the same everywhere. If there are a few differences it is because some groups, here and there, have been discontented with mediocrity and have done something about it.

On the whole, however, these national problems seem as remote to the people of Baltimore as they do to the people in Prineville, Oregon. They seem just as difficult and confusing and there is the same general attitude to avoid them. If we don't elevate ourselves to the place where we can meet them, we are fools to believe that others will. And short of this, we must leave them to unintelligent handling. *For with the handling of these problems go the reins to our national economy.* And that is a mighty attractive proposition to our many flocks of self-
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seekers, modern “carpet-baggers” and professional rein-grabbers. They are as eager and ready as they are incompetent to take over these reins. And the course they will steer cannot help, from the very nature of things, being one inimical to the public weal.

*The Big, Bad Political Bugaboo*

The foregoing might mislead some to believe that the effort to develop a worth-while leadership through the medium of associational activities, has totally mis-carried because of an inability to rise above this failure to understand, this apathy and this “Let-George-Do-It” attitude. On the contrary, there have been many successful breakaways from these stupid impediments, breakaways that have given the sponsors of this grand experiment in democracy many reasons for a measurable encouragement. But just as a hard-fought-for progress has appeared evident there has emerged another impediment, with few exceptions, devastating in its effect. It has, for the time being at least, nipped in the bud the rising regiments of a voluntary leadership movement of which this country might well have become proud. This impediment is in the form of a dictum issued and engineered by and on behalf of the modern carpet-bagger: “Thou shalt not engage in politics.”

Now this is a very interesting dictum. On its face
it appears sensible to a group devoted to the economic purpose. And because little beyond surface appearances have been examined, the dictum has found an all too ready acquiescence. It is only when we become realistic about definitions, it is only when we see for ourselves the broad field of activity the word "politics" embraces, that we comprehend the ignominy of our surrender to this subtle device.

Let us withdraw the drapes and behold the picture. Originally, with us, "politics" connoted a dealing in matters of strictly a political nature. It usually meant something of a partisan attachment to a party, its platform or its personalities. Because politics took such a minor part in the regulation and control of and actual participation in business, the two were considered as distinct fields of endeavor having little more than an academic relation one to the other. In spite of our many infractions of this concept, we have always held rather closely to the original distinctions. Retaining this view, we have been, particularly as associations devoted to the economic purpose, supersensitive to the admonishment, "Keep out of politics." And this characteristic, at one time, wasn't a bad one. Politicians looked after politics—business men looked after business.

But a change set in, first cautious and gradual, then with an ever-quickening pace. Politics went into business and in a very big way. But when poli-
ticians took over a business control or a business function, they insisted that that control or function lost its identity with the business interest and became, exclusively, the concern of politics. And business, inept in the fickleness of politically managed definitions, held to its old ideas and remained out of politics. And that is precisely in accordance with the designs of the political collectivists, for if they could keep business out of politics there would be no limit, whatever, to the extent politics could take over business.

Thus, the business association, the only medium for dealing with once local and private affairs, now gone national, has, to a large extent, been stopped in its tracks right at the moment when its greatest opportunity for economic and social usefulness was budding into apparenty. Matters of the utmost concern, heretofore discussed and decided by associations as a matter of course, have, under the scare of the political bugaboo, become "untouchables."

At just what point will the breakaway from this impediment develop? Will business permit this political invasion ad infinitum? Will business associations continue to be the unwitting victims of a mere confusion in terms? Business has not gone into politics. Politics went, and is still going, into business. *Business still has a right to a voice in the affairs of business, irrespective of whether or not*
politics decides to impose an interest in those affairs. When politics puts its fingers in the business pie, politics can expect, or at least should expect, precisely the kind of treatment its actions deserve. And if meting out that treatment means that some politicians or even politically minded businessmen will charge business with "playing politics" then let them make the best of it. Their argument does not make sense.

The business association, heedful and acquiescent of this argument, has permitted itself a degeneration into economic sterility. Its opportunity for usefulness has faded away in exact ratio to the extent politics has invaded the business arena. Should the trend continue, the association will retain only those activities regarded as "trimmings" to any proper program. But it is not too late to cast off the bugaboo of politics.

The New Type Business Association Goes to Work

The chamber of commerce and trade association, meriting present-day membership support, while retaining many of their former essential activities, have substantially altered their approach to meet vastly changed conditions. For one thing, they have definitely gone into politics. By this is not meant a sponsorship of political parties, programs or personalities. With those they have no concern, as associations.
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Rather, their function is to marshal economic facts and, upon the basis of such facts, to make, openly and above-board, recommendations to constituted public authorities, looking to the perfection and enactment of legislation which will most effectively accomplish local, public and national purposes.

And equally important, they recognize as their duty, the fearless opposition of proposals of an unsound or uneconomic nature from whatever source they may arise.

They maintain that local, state and federal governments, as governments, are entitled to the support and cooperation of their citizenship. That rule they hold to be universal. These governments also are entitled to the expression of honest criticism, based upon facts and experience, regarding any steps that may be proposed.

In short, these associations care not one whit under what political party sound policies are practiced, but they do care, and intend to see to it, that sound policies are practiced, irrespective of political parties.

Furthermore, these associations are rapidly organizing themselves to deal effectively and intelligently with these matters. They have study committees among their membership, composed of the most competent minds on these complicated matters. They have organized themselves not only to
express their viewpoints to their senators and representatives and congressional committees, but they have devised methods of using the radio, newspapers, house-organs, employee bulletin boards, speaking programs and direct contact to inform their own people, the voting public, on the paramount issues of the day.

They realize the necessity of observing the wisdom contained in a statement by Abraham Lincoln:

"Public sentiment is everything. With public opinion nothing can fail; without it nothing can succeed. Consequently, he who molds public opinion goes deeper than he who enacts statutes or pronounces decisions. He makes statutes and decisions possible or impossible to execute."

They are recognizing that the national issues are their issues, that if there is going to be any worthwhile business leadership, it must come from their industry or their community. They are insisting that they become the industrial, or the community, centers for sound economic counsel and they mean to find out precisely the significance of every popular or legislative proposal. They will sponsor or oppose these proposals, with all the indefatigable energy they possess, as they promote or defeat the consumer or public welfare.

For these organizations are developing a new kind of enlightened, self-interest leadership. They
have discovered that their community or their industry has no chance of progress and prosperity in a downward national economy. The society in which they exist must be soundly conditioned. Hence, they are developing a technique of bringing forth leadership from all walks of community and industrial life that drops its specialized interest at the doors of the associational endeavor. The leadership, while serving through the association, functions objectively on a broader scale than would otherwise be possible. The leadership thinks in terms of the national economy. Its competitive and specialized interests are not permitted to deny or contradict the broader objectives.

While these organizations are acquiring a new ethic, they are not being deluded by the radical charges of "conservatism." Most of them don't believe conservatism to be a part of their former faults. But they are realizing that they need a new grammar to express their conservatism. In the past they have been inclined to take pretty much of a "stick-the-chin-out"—"I-double-dare-you" attitude in expressing their views. Regardless of how correct their views may have been, such attitudes constitute rather poor strategy in giving effect to those views, certainly in gaining public support for them. From here on they propose to take their case to the public and if it can't be demonstrated to be in the public interest, they are not going to give it spon-
sorship. They recognize that sound concept: "To be in the interest of business, any measure must be in the public interest." They further recognize that it is insufficient to merely have sound policies—these policies must also seem right.

Mr. W. J. Cameron, spokesman for the Ford Motor Company, in a nationwide radio broadcast, recently stated:

"But it is extremely difficult to get the simple fact considered that this nation, in its brilliant industrial expansion, has never produced enough to supply its own people. We have never fully utilized our productive facilities, never fully developed our resources or our domestic market, and until we do, no trouble will be permanently eased, no solution will be able to work. Someone somewhere has to grasp the need for a crusade to create more wealth if our people are to get their bearings on this question."

These associations are going to take up this crusade to create more wealth, they are going to unearth the exact factors that will make it possible to produce more goods and more services for more people. There is no other source from which such a crusade can originate, there is no other type of medium that can command the type of leadership that will initiate this crusade and carry it to a satisfactory conclusion. It means the elimination of impoverishment to the extent it is practically and humanly possible to eliminate it.

They know that the success of any such crusade
must first rest upon an identification of the economic course that creates more wealth and, as well, a fairly broad public appreciation of the wisdom of that course. Short of such an appreciation, the best laid plans will assuredly be voted out of consideration. They are not unaware of the difficulties of this crusade; they appreciate the great number of destructive ideas being forwarded under the usurped name of "liberalism." This crusade will take them into politics; that is, the economic phase of politics, to waylay such situations as Herbert Spencer described as existing in England in 1860:

"See then what legislation has done. By ill-imposed taxes, raising the prices of bricks and timber, it added to the costs of houses; and prompted, for economy's sake, the use of bad materials in scanty quantities. To check the consequent production of wretched dwellings, it established regulations which, in mediæval fashion, dictated the quality of the commodity produced: there being no perception that by insisting on a higher quality and therefore higher price, it would limit the demand and eventually diminish the supply. By additional local burdens, legislation has of late still further hindered the building of small houses. Finally, having, by successive measures, produced first bad houses and then a deficiency of better ones, it has at length provided for the artificially increased overflow of poor people by diminishing the house-capacity which already could not confine them!"

or a modern corollary, as recently phrased:

"Because of high taxes, and the high prices for goods and services which result partly from high taxes, many farmers have long since ceased to rotate soil-restoring, non-cash leguminous crops with soil-absorbing, cash crops. The obvious result has been an increasingly depleted soil. Now the government enters with a soil conservation program, causing more government and more taxes, which is bad enough, but it legislatates crop restriction, to boot!"

The new ethic, to be effected because of its unquestioned practicability, will take the form of a series of business principles adopted and urged by the Chamber of Commerce of the United States: *

1. The foundation of business is confidence, which springs from integrity, fair dealing, efficient service and mutual benefit.

2. The reward of business for service rendered is a fair profit plus a safe reserve, commensurate with risks involved and foresight exercised.

3. Equitable consideration is due in business alike to capital, management, employees and the public.

4. Knowledge—thorough and specific—and unceasing study of the facts and forces affecting a business enterprise, are essential to a lasting individual success and to efficient service to the public.

5. Permanency and continuity of service are basic aims of business, that knowledge gained may be fully utilized, confidence established and efficiency increased.

* Resolution, Annual Meetings, 1924 and 1936.
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6. Obligations to itself and society prompt business unceasingly to strive toward continuity of operation, bettering conditions of employment, and increasing the efficiency and opportunities of individual employees.

7. Contracts and undertakings, written and oral, are to be performed in letter and in spirit. Changed conditions do not justify their cancellation without mutual consent.

8. Representation of goods and services should be truthfully made and scrupulously fulfilled.

9. Waste in any form—of capital, labor, services, materials, or natural resources—is intolerable and constant effort will be made toward its elimination.

10. Excesses of every nature,—inflation of credit, over-expansion, over-buying, over-stimulation of sales,—which create artificial conditions and produce crises and depressions are condemned.

11. Unfair competition, embracing all acts characterized by bad faith, deception, fraud, or oppression, including commercial bribery, is wasteful, despicable, and a public wrong. Business will rely for its success on the excellence of its own service.

12. Controversies will, where possible, be adjusted by voluntary agreement or impartial arbitration.

13. Corporate forms do not absolve from or alter the moral obligations of individuals. Responsibilities will be as courageously and conscientiously discharged by those acting in representative capacities as when acting for themselves.

14. Lawful cooperation among business men and in useful business organizations in support of these principles of business conduct is commended.
15. Business should render restrictive legislation unnecessary through so conducting itself as to deserve and inspire public confidence.

These organizations have another proposal—this one to do with a weakness, heretofore characterizing their own behavior. They are going to acquire the technique of dealing with controversial issues. They are going to cease shying away from such issues. They are going to "take them on" in their stride, handle them as a matter of course, with about the same degree of concern a surgeon performs an operation. After all, they are aware that the new necessities require a realistic entry into the field of controversial issues. The big issues, the worth-while things meriting the time and attention of busy leaders, are all controversial—if not, how can they be issues?

This new leadership will next undertake its biggest task: an entry into the field of industrial relations, a field in which intelligent action has been woefully neglected. The present industrial strife, costing tens of millions of dollars daily, increasing impoverishment at an unprecedented pace, is plenty of evidence of this neglect. This leadership is unwilling to adopt that insipid gesture, smiled with such utter nonchalance by so many: " Strikes and labor troubles are merely the signs of returning good times—they always follow depressions."

No remark was ever a better indication of shallow
reasoning or shirked responsibility or both.

This effort first requires an initiation of a crusade to create more wealth with a simultaneous adoption and practice by business of high principles and standards of conduct. Not only are these features preludes to any such effort, but it is equally essential that labor and the public recognize that this course is precisely the one business intends to follow. On the adoption of this course there can be no misgivings.

When we speak of business "putting its house in order," we do not necessarily refer to dishonesty, stupid greed and economic viciousness. While these vices are not nearly as prevalent as most people believe, their inclusion in any program of house cleaning is taken for granted. No decent citizen condones them. Rather, what is meant is a correction of practices, honest in every respect, but economically unintelligent. The latter far exceeds the former in its destructiveness to more goods and more services for more people.

Obviously, these two features of the new program are no minor tasks—they are a challenge to the best leadership, irrespective of how efficiently organized, this country ever possessed. But the new leadership recognizes them as requisites to any promising entry into the difficult field of industrial relations. Once acquired, however, business will be in a position to deal firmly with radical leaders
whose only objective is discontent, industrial strife, harm to labor, business and the public alike, looking eventually to a "new order" with themselves in control. Short of this ethically and economically sound position, it is inevitable that nothing but a guerilla warfare can result, for labor's position is strikingly untenable. *There can be no gains when both sides are wrong. There is a chance if one side is right.*

The new associational effort will demonstrate in a grammar, at once simple and compelling, a series of principles upon which any system of industrial peace must, of necessity, be predicated. For instance, they will reveal:

That the interests of employer and employee are not in substantial conflict—that the conflicts are only the minor, natural ones which exist between any two people. They will stress the real harmony of interests and show that when the conflicts are natural they lend themselves easily to friendly adjudication.

That the present strife is not the result of natural conflicts, that present industrial problems are only surface problems, that they cannot be more than temporarily settled until deeper, basic causes are removed. These basic causes will be identified, both labor and business being made to understand they have a common purpose in their elimination.

That the theory and present practice of negative profit (one side considering as a gain the infliction of
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more damage than received) is uncivilized and several steps below moronic expectancy, and finally
That in a wealth crusade, requiring the best efforts of capital, labor and management, lies the only route of material interest to anyone. This, of course, will include a complete analysis of those factors going to destroy wealth and those going to create it.

One of the difficulties today is the fact that most of business and most of labor do not know how to deal with the problem of industrial relations in spite of the self-evident truth that a vast majority of both would like to do the right thing. This lack of knowledge of handling this problem is understandable. It is a most difficult and confusing one. It is a problem requiring specialized and laborious study. This study does not lend itself to individual thinking alone. The problem is one embracing the inter-relationships of a vast and intricate economic system. The study must be of a voluntary group character, the association serving as the vehicle for the development, the assemblage and the propulsion of a leadership widely representative and highly endowed in every respect. The attitude upon which this study is based and the views arising therefrom projected must be maintained on a friendly level regardless of opposing unfriendly gestures. In no other way can that essential, public
confidence be won to the side of superior economic thinking.

A fair question at this point would be, "Where are these organizations with these attainments and lofty ideas—do they actually exist?" Here and there they do. In existing organizations is represented every conceivable gradation of attainment. Some are little better than mis-named jokes, but in them is always some worthy trifle to be admired. A few others are near-models of perfection but usually possessing some minor policy or behavior deserving censure. All of which is quite natural and to be expected. Aristotle left us an interesting explanation:

"One may go wrong in many different ways, but right only in one, which is why it is easy to fail and difficult to succeed—easy to miss the target and difficult to hit it."

If eleven years of intimate experience in this field gives one the right to some opinions and the more questionable right of passing judgment, then the business association described here so glowingly, is a composite of the virtues, the improvements and the general excellencies found in hundreds of existing bodies. At least these ascribed activities appear to be virtues, improvements and excellencies when considered in the light of present necessities. Too idealistic? Absolutely not! The
height of practicability lies in the nearest approach possible to the ideal. If we can merely determine the right thing to do, even if we don’t do it, we will have made a measurable gain. We will be less likely to do the wrong thing. For to do something merely to do something, if there is unwisdom in the doing, is transcendental folly. To do the right thing constitutes progress, but we first need to determine what is right. The answer? There is no infallible rule to follow nor will there ever be one. But the best answer available to us in the solution of our economic and social problems lies in that which representative government presupposes: a wealth of voluntary leadership!

The Labor Organization Needs Some Repairing, Also

There are many activities of present labor organizations that merit the highest kind of commendation. But these commendatory features are not the preponderant features characterizing recent trends in organized labor circles. To the contrary, they are submerged almost beyond recognition.

The present movement seems to deny the possibilities of any logical, rationalized base beyond that of a dead-end economy, an economy that can produce no more wealth, that the wealth which already exists is all there is—and that the proposition of dividing existing wealth is a proper tactic. If this
criticism seems unfair, *point out one, just one, major recent proposal bearing the official stamp of organized labor that will stand up under studied examination of its wealth-producing potentialities*, No useful purpose is served in dwelling further on these points or the character of present labor leadership. Rather should we devote ourselves to the question: Has not organized labor an offensive rather than a defensive, a constructive rather than a destructive channel for its acknowledged, superior power?

Along what general channels can organized labor direct its efforts? It can and is attempting a division of existing wealth. This tactic is not a progressive one and should be dismissed as improper and un-economic. There are three other channels to which labor may look for the betterment of its position: employer altruism, governmental statutes and the creation of new wealth.

Should labor place a sole dependency on either employer altruism or governmental statutes? No. Labor's position should be secured by, its basic reliance placed upon, a favorable economic behavior in which the creation of new wealth and the destruction of the jams that hinder its flow are inherent features. Let altruism and statutes bring all the benefits they will but they do not constitute the best insurance for labor. Beneficence and the practice of the Golden Rule are blessed endowments,
are to be encouraged and applauded, but they are fickle backlogs for anyone or any group in society's present advancement. Honesty is the best policy but experience teaches that honesty is best practiced under favorable conditions. Different people become dishonest under varying degrees of adversity. Likewise, beneficence and the Golden Rule find their greatest observance when satisfactions are most general. Not that they should—but they do! Not to recognize this human failing is to be exceedingly unrealistic.

The way to examine employer altruism as a factor for insuring higher wages and better working conditions is to place any individual from the whole labor movement into the ownership or managership of a private business. Would he suddenly go altruistic? Would he pay $10 a day for common labor if his competitors were using $5 a day labor and he could get all of that kind of labor he wanted? Hardly. He probably would have a sufficiently difficult time making a profit paying only the wages the labor market demanded. At least the record of business failures would indicate he might have some troubles being successful. Very few entrepreneurs consider they are doing society a favor by failing in their enterprise.

The way to examine governmental statutes as an undependable factor for insuring higher wages and better working conditions is to examine the equally
justified propositions of legislating prices for goods, profits for business, prosperity for farmers, in other words, to examine the question: can the satisfaction of desires be resolved in the halls of Congress and carried out as designed? They cannot. Nor do the multitude of affirmative answers change this decision one iota. The proposition has never demonstrated more than parlor logic—more than that, there is no evidence in all history to support it. If the idea of legislating partial prosperity is tenable, why isn't the idea of legislating a millennium reasonable?

The contention here is not that every device should not be employed to encourage employer pride in higher wages and better working conditions nor that government should not umpire and police both labor and business practices that are dishonest and vicious. Rather, the contention is that labor should not place final reliance on these sources for the support of its position. The only sensible route lies in entirely another direction.

If the labor movement were intelligently directed, relying less on political and professional opportunists and more on sound economic advice which exists in its own ranks, labor would have two broad objectives. In these two objectives is embraced a wide field of activity which if carried out would result in all the material advantages labor seeks.
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The first objective would be the establishment of a healthy labor market; i.e., the bringing about of a condition in which the demand for labor exceeds the supply. Nor does this mean a program of reducing supply. The field for increasing demand is so unexplored that it can well occupy our sole attention for years to come. This can only be accomplished by encouraging those elements which go to promote the "X" factor and discouraging those elements which go to subvert this factor, for the simple reason that this is the only way more goods and more services can be available for more people.

When, and only when, goods and services are lower in price in relation to a given amount of labor, will the real, as distinguished from the inflationary, naked demand for goods increase. This demand will call for a greater production. This increased production will necessitate more employment. More employment will absorb the unemployed and establish a condition in which producers will want more labor to help them supply the demand than there is labor available. The wages for labor will then be decided as they should be: on the basis of competitive bidding for labor.

What employer, under these circumstances, could pay low wages? Each employer would be eager to hire each other's labor force. Would not all employers be forced by the dictates of an unprejudiced, uncompromising and impersonal mar-
ket to pay the best wages and maintain the very best possible working conditions? They would have no choice but to do so. And furthermore, in a flourishing situation of this kind, with goods being produced to satisfy an unlimited demand, would not the laboring man find his best opportunity to become a business man if he so chose?

The second objective would be very much related to the first. It would seek to destroy every single one of the factors which go to dissipate the advantages naturally flowing from technological improvements and working efficiencies. The identification of these factors would make an interesting job for most labor organizations. They might discover, to their astonishment, that a reversal of their position along several lines would be necessary. For instance, these organizations would have to discard the use of the political means and begin showing some hospitality to the economic means. Labor organizations, for instance, thus engaging themselves, would be far better and more successful proponents of governmental economy than business organizations have ever been.

Let the labor economists discover these factors. They are found among the subversions of the "X" factor, some of which have been discussed in this thesis. They are not difficult to find if the sole objective is the public welfare rather than some selfish, immediate aggrandizement. For one thing, labor
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will press for a development of economic voluntarism under which, and only under which, competition can survive. *Competition is assuredly one of the best weapons labor has to force a passage of economic advantages to the consumer.* Monopoly, price-fixing, and many other legislated rigidities will be included among the new enemies of labor.

Intelligently manned organizations, business associations, labor and farm federations, *all have seats at the same conference table in any highly civilized economy.* If the objective of each is what it should be—the public welfare, or, economically speaking, the consumer’s welfare—there can be little basis for more than friendly disagreement. The real problem is one common to all and should be so treated.

In conclusion, organizations for the sake of themselves, any of them—business, labor or agriculture—deserve no support nor any allegiance. *The sound conditioning of the national economy is the thing.* Only if these groups can be geared to implement this purpose do they merit existence.

They must, if they are to accomplish this objective, *find a course that is at once publicly attractive and economically sound.* For if their actions gain public disaffection, regardless of the rightness of their principles, their efforts will be less than effective. And to compromise with wrong principles is shockingly untenable.
There is a course that can and must be devised to meet this dual requirement. Very little is new about it. It has in some measure been attempted by some organizations, but the proper emphasis has been lacking.

In the first place, these groups will renounce their narrowly selfish and combative tactics, provided they have been practicing such tactics. Next, they will dedicate themselves genuinely, realistically and sincerely to an all-embracing, broad interest as distinguished from their former group, class or geographical interests that are contradictions of the broad interest.

They will dedicate themselves to a new lodestar, a new objective, the inherent features of which will meet, four-square, every social, humanitarian and economic test. It can be stated in a simple formula, although lending itself to an infinite variety of expressions:

\[
\begin{align*}
\text{FOR: more goods and more services for more people} \\
\text{CRUSADERS} \\
\text{AGAINST: poverty and unemployment}
\end{align*}
\]

(Two ways of saying the same thing)

The direction of these organizations from this point is easily defined although the road, because of current trends, must be difficult. These voluntary groups will study (profoundly examine) pro-
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proposals, measures, behaviors or practices, from whatever source they may arise, in the light of their effect on this objective. Their sponsorship or opposition, their endorsement or denouncement will be based on a proposal’s ultimate promotion or subversion of this objective. The pursuance of such a course will not only be right—it is the only one that can be economically right—and it will be demonstrable to the public as right.

Furthermore, the adoption of and adherence to this objective possesses the merit of insuring as well as labeling the activities of an organization as constructive. It is the only course that can lead to more and better business, to more profitable agriculture, to better wages and working conditions for labor, to an ever-widening diffusion of wealth to the whole public, in short, to a materially better America. Our future, very likely, rests on the answers to the question, “Who will volunteer for this crusade?”
CHAPTER XIV

ADDENDUM

Summarizing this suggested approach to the problem of our well-being, an attempt has been made to demonstrate:

1. That political labels, colors, isms and other convenient handles are confusing and misleading and in no sense can be used as a measure in determining an individual's objectives or highmindedness and are no guide, whatever, to the soundness of one's views.

2. That for a variety of reasons, a portentous discontent permeates the national atmosphere, a substantial removal of which is essential to the continuance of the American way of life.

3. That those actually impoverished compose the core of this discontent; that the amelioration of their position is a requisite to the removal of the threatening phase of this discontent.

4. That nothing is lacking for a program of more goods and more services for more people (this being the only way to relieve impoverishment) except the knowledge of how best to use existing facilities.

5. That the formula for creating more goods and more services for more people is precisely definable.

6. That many of our practices and much of our behavior unwittingly subvert the performance of this
formula; that these subversions syphon the advantages that would otherwise flow naturally in a wide diffusion to the population; and that it is our duty to identify them and to discourage their existence.

7. That there are things we can do which will serve to promote the performance of this formula, the foremost of which are, first, improved relationships between the citizen and his government; second, technological advance and, third, the development of a realistic, dynamic, voluntary leadership.

8. That there are no short cuts to an abundant life, no panaceas or legislative resolution that can replace the homely virtues of individual endowment and, finally, that the mere recognition of right principles is the best insurance against want and material deprivation because such recognition, on a wide scale, would thwart the institution of further subversive behaviors.

It isn't my intention to give the impression that I believe material welfare is all there is to this life on earth. Far from it. But it is the material problem, the economic problem, about which western civilization is making such an ado. Of course, if the moral standard were higher, if religious thinking possessed some of its earlier fervor, if man thought more in spiritual terms, he would, as a consequence, be less perplexed with his standard of living status. He would apply a different system of values—consequences would have different meanings.

But this is merely an "if" proposition—it is argu-
ment from a non-existent premise. Many of us wish that these really richer values had a greater significance. But they are as they are. What will restore them? Adversity? Or economic satisfaction? On this point, I confess no well-founded opinions.

Whatever one’s wishes may be concerning other values, it is the economic cauldron that is stewing. It is in this field that competent leadership, at the moment, is so sorely needed. And it is in this field that it should be and can be furnished. Furthermore, it can be effectively furnished. Such an admission, however, does not commit one to the proposition that it will be furnished. The liquidation of the difference between can and will is dependent on a lot of personal qualities which, right now, are only in smattering evidence. Nor is there any basis for estimating the extent to which these qualities will be developed and released. Any answers can be but reckless conjectures.

Some will continue to work and hope no matter how dark the clouds, how great the odds. They have concluded that there is some of God’s or Nature’s work to be done in perfecting a society and an economy in which man can best serve himself. They receive a spiritual satisfaction in contributing to an order that will minimize want and poverty. And they get an equal satisfaction from resisting currents which they sincerely believe will weaken such an order. Enough of this cosmic journey!
ADDENDUM

Changes, almost too extensive to comprehend, have already overtaken America. The people have voted for stability and security as though voting for these age-long desires would automatically result in their fulfilment. They have, willingly and gleefully, unburdened themselves of individual responsibility and tossed it, en masse, into a centralized, authoritarian government from which the millennium is supposed to emerge.

And the proposed millennium is well along in its legislation. Now, let's be realistic. Most of these statutes are going to remain for a long, long time. Legislated social security, for instance, will have generations of experiment before it is popularly determined that statutes of themselves do not and cannot bring enduring and beneficial results. So it will be with many of the other collectivist measures. We are going to live with them whether we like them or not.

There are not very many, irrespective of contempt for these measures (contempt based on opinions of results and not based on alleged objectives), who want to see the national economy go smash merely to prove their point. Love for America far transcends these resentments.

Now the detrimental effect of the collectivist application, on its present scale, is much less in its direct cost than in its destruction of the philosophy of individual responsibility. Millions of people are
working less and thinking in terms of working still less, harboring the comfortable notion that the government will make up for them that which they would rather not make for themselves. This is a perfectly devastating state of mind.

Assuming that the theory of the collectivists will continue to work this destruction to individual responsibility, isn’t it logical then that an opposite, compensating movement should be undertaken? Isn’t it obvious that we should do something to counteract this fading philosophy, which at the same time would support the errors of our ways? In other words, we have burdened ourselves with a thousand and one things. Should we not attempt to strengthen ourselves to bear the burden? Perhaps it is only in a newly developed strength that we can get rid of some of the burdens.

A wealth crusade (diagrammed along sound economic lines and projected along sound psychological lines) is the answer—more goods and more services for more people. It is the only possible way that these newly acquired burdens can be kept from destroying us. The idea could be given popular appeal. It could be made to win recruits. It could be made to focus men’s minds on the fundamental proposition that wealth can come only from production. It could be made to take the focus off legislative halls. It could be made to give us a new and valuable sense of direction. It could be made to
put America to work—to useful and satisfying work. That is the kind of opportunity I am asking for Leonard, Jr. and Jimmie and for other American boys and girls.