

Whence Cometh Prosperity?

THE business world is in an uncertain frame of mind regarding the immediate outlook, undecided as to whether the prosperity of the last few years is to continue or not. Judge Gary, who has some reputation in the business world as a forecaster of the turn of events, said last October that "There is no necessity for any important slump in business in this country at any time," and was equally as hopeful in a recent address to the stockholders of his corporation, but so far as the writer can remember Judge Gary never did prophesy hard times. Most of the business soothsayers at present are uttering comforting assurances that whatever of recession appears in the business tide is seasonal and things will come around all right in the fall, but at the same time they express wonderment at the astonishing longevity of the building boom long after some of them have detected signs that the building shortage resulting from the war had been caught up with. And building activity is the mainspring of an astonishing number and variety of our industries.

It has been said of prosperity, as of the wind, that "Thou hearest the sound thereof, but can'st not tell whence it cometh or whither it goeth." Judge Gary's remark that there is no necessity for a serious business slump at any time, and another remark made more recently by another forecaster that "there will be no business depression unless it is man-made" are very important indeed, indicating as they do that these men may know how business depressions may be averted. To be sure, they have not told, and to some the idea may seem visionary, yet it seems reasonable to believe that the preventing of business depressions awaits only the knowledge of how to prevent them, and the application of that knowledge, even as the steam engine, the telegraph, telephone, radio, the flying machine and no end of other things with which we are familiar became practicable with the advance of knowledge. It does seem queer, when we contemplate the marvelous achievements of the human mind, that that mind should be unequal to the task of maintaining a fairly even and equitable degree of prosperity for all. Yet the biblical remark about the wind seems to be equally applicable to prosperity.

Our business prophets have of late years been giving considerable attention to the genesis and maintenance of prosperity, and have assigned some twenty reasons or conditions for its rise and continuance. They may be enumerated somewhat as follows:

1. Our vast, rich and varied resources.
2. Our system of free trade over this great area.
3. The technical skill with which these resources have been developed and utilized; our extensive and increasing use of time-saving machinery and of power to drive it, which has enormously augmented production.

4. Elimination of waste, both of material and effort, in production and distribution.

5. Collection and use of business data for the better balancing of production and consumption; the adoption of scientific budgetary control in business management; the cooperative exchange of experience and information by business executives, both by personal communication and through trade journals.

6. Hand-to-mouth buying, that has prevented the accumulation of surplus or dead stocks of goods.

7. Installment selling, that has opened markets heretofore undreamed of.

8. Advertising that has also opened new markets by awakening dormant wants of the people.

9. Home decoration and equipment mania, child of skilful advertising; our unwillingness to live in obsolete buildings.

10. Transportation efficiency, pre-eminently the child of our untrammled freedom of trade between the states.

11. Unity of language, currency and transportation, which unifies business customs, simplifies the transaction of business and irons out misunderstandings and friction.

12. Our public education system, the great kindler of individual ambition.

13. Better state of public health, due to better control of disease by sanitary measures, which has aided in maintaining the general earning power.

14. Reversal of the doctrine that good labor conditions depend on good business, to read that good business depends on good labor conditions.

15. The high productivity of labor, which makes high wages possible.

16. Organization of labor, unions, and the high wages they obtain for labor, insuring a high public buying power.

17. The Federal Reserve System, which by scientific mobilization and distribution of credit has made impossible the sudden transitions from confidence to panic that formerly shook the business world periodically and will avert the severer aspect of business recessions.

18. Prohibition, that has made the people more industrious and added to their earning power, besides diverting their spending into wiser channels.

19. The Protective Tariff, by which we protect ourselves from the competition of less favored peoples and keep our prosperity to ourselves.

20. A vague idea, of uncertain origin and basis, that we are just naturally a great people, smarter and more capable and resourceful than the people of other nations.

The first reason assigned seems fundamental. However, there are other nations with resources as great and varied as ours which remain poor because they have not developed and utilized them as we have, for the reason that in none of them has individual initiative been left so free to direct its activities along lines that seemed to it most profitable. Industry, efficiency, resourcefulness, inventiveness, good

management, etc., have in all lands and times had their reward as they have had opportunity for their exercise, and they have had this opportunity in larger measure in the United States than elsewhere.

But for the freedom of our internal trade none of the excellent but secondary reasons given as explaining our prosperity could have developed far beyond their development in other countries. To it we owe the open door for the exercise of the industry, efficiency and good management by which our resources have been utilized—the greatest transportation system on earth, our wide market, the most efficient banking system in the world, the more thorough education of our people to play their part in the world. Freedom of exchange is dynamic.

The Federal Reserve System, however excellent it may be, cannot really be called either fundamental or dynamic. It is doing its work well, but we had seasons of prosperity before it was thought of and have had one severe depression since it was instituted. Nevertheless, it has been a wonderful lubricant for exchange and is proving a very good stabilizer for business today.

There have been indications that Prohibition may be somewhat of an accelerator of business activity, but it may be doubted if its effect can be more permanent than that of any other stimulant. The making of crimes out of acts that are not even sins seems to be developing a growing disrespect for law in general which is not healthful, even in an economic sense.

The Tariff is believed by most Americans to be the most important if not the basic factor in our prosperity, and that the country would go to the bow-wows without it. But other nations have tariffs quite as scientifically constructed as ours, yet no such prosperity as ours has accompanied them. European nations are choking themselves to death economically by tariffs, trying to attain prosperity in the same way they believe we have attained it. Seeing the prosperity that has come with our continent-wide freedom of trade, Europe would better wipe out her tariffs—and she would if she could see far enough.

However, the tariff stands convicted as a deceiver here as well as in Europe, for it even now fails to make some of our most highly protected industries prosperous. Its existence here is singularly inconsistent with that other superstition that we are a singularly gifted and superior people.

Thus we find the basic reasons for our prosperity to be the possession of rich and varied resources and the extent to which, thanks to the freedom of trade between our states, we have developed and utilized these resources.

We have, however, not explained the recurrence of seasons of depressions. There have been times when, despite the possession of these same resources and the same freedom of internal trade, the utilization of our resources ceased to a marked degree, when capital and labor could find little employment, interest and wages fell

together and distress was felt by large masses of our people. What was it which at such times prevented the use of these resources?

Business men are complaining even now that in spite of a large volume of business done, profits are small. Bradstreets and Dun's reports of business conditions in various parts of the country have been telling for months of poor and slow collections in an unduly large proportion of these sections. Bankers assure us that "money is easy" and the Federal Reserve Board looks askance at our possession of more than half the world's monetary gold. Wages still rule high, but the Department of Labor tells of an increasing amount of unemployment—not yet great, but growing and somewhat disconcerting. Hand-to-mouth buying, the sixth reason assigned for our prosperity, persists and increases to such a degree that manufacturers are finding increasing difficulty in disposing of their products and something seems to be undermining the high purchasing power of the American public.

Does it not seem reasonable to believe that, if we can determine just what it is that eats into business profits when business is being done in large volume, and subtracts from the public buying power while wages remain high, we shall determine at the same time the cause of business depression?

It is really high time the business community looked into this question. The past ten years or so has seen a doubling of money wages, a near doubling of the general price level, and a more than doubling of rents. Is there any reason for supposing that rent, the great item of business overhead, has absorbed more than its share of the increase?

As is well known, business rents have advanced enormously. There are chains of lunch counters in New York City whose rent outlay exceeds their wage payments, and in all lines that the writer knows anything about rent is taking an unduly large share of the proceeds of productive business. Residential rents have advanced in less degree, but they have advanced enormously, and the man whose rent is raised has less to spend on his "standard of living."

It was all explained by Henry George nearly half a century ago in "Progress and Poverty."

Is it not time the business world picked up some of Henry George's brains and utilized them?

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A PEER on horseback meets a tenant on foot. The tenant has given notice that he will leave his farm. "So, Jones," says the landlord, "you are going to live on your capital." "Yes, my Lord," replies the farmer, "it is better than letting you live on it."—*Punch* (in the 80's).