

THE ECONOMICS OF A BOOM

By GEORGE E. ROBERTS*

I am always glad of an excuse to visit Chicago. I am, as some of you know, an old Chicagoan, and I am more western than even Chicago, for I am originally from beyond the Mississippi.

My father was a native of central New York, the city of Utica, but when he grew up to be a young man, at the age of twenty, and looked about to see what his prospects were for the future, it seemed to him that there was no longer much of a chance for a young man in the state of New York. That was in 1844. The state was all settled up and the cities seemed to be about as large as they ever ought to be for the support behind them.

There was much talk about development in the middle west, but that region was looking mainly to the Mississippi river for connection with the outside world, and so far as anybody could see that was likely to always be so. He had heard of the prospects for important cities along the Mississippi river, and he determined to go to that new country. And you may be interested to know of the most convenient, and I suppose cheapest, route he could figure out to get to that region. He went down to New York city, on a canal boat, took a sailing vessel to New Orleans and went up the Mississippi river on a steamboat, landing first at Fort Madison, in the territory of Iowa.

About the same time, or a few years later, a family, one member of which was a young daughter, made the trip from the state of Maine, overland, by the now historic covered wagon, to Rock Island county, Illinois. That family was headed for one of the future great cities of the Mississippi valley, a village which possibly

* A characteristic address by Mr. Roberts before the Illinois Manufacturer's Costs Association, April 21, 1931, on file in the Manuscript division of the Iowa State Department of History and Archives, Des Moines. It well illustrates his knowledge of economics and finance. His mastery in clearness of statement and compelling logic are shown in the description and comment upon conditions following World War I, so apropos at this time, perhaps not unlike, though in less degree, those possibly to be experienced as resulting from the more recent conflict.

some of you never have heard of, the village of Hampton, a few miles above Moline. As I have said, the Mississippi then was a great artery of commerce, there were rapids in the river at Hampton which made it necessary to lighten the cargoes for a few miles. This made work for laborers, and was thought to be one of the advantages which Hampton possessed over rival towns on the river.

EARLY INTRODUCTION TO BOOM ECONOMICS

That family from Maine located in Hampton, and later the young man from Utica, who also was looking for a future great city, arrived in Hampton and located there. And so these young people met, were married, and established their home on the very banks of the great river. Afterward they moved over into Iowa, and so it happened that I am a native of Iowa instead of Illinois.

I was born and lived as a boy in the country back of Dubuque, and I can remember, when I went to Dubuque with my parents, of seeing a number of large but unfinished business blocks and hotels, and recall that it was said that these buildings had been begun during the boom times before the panic of 1857, and that their owners were ruined in the panic, and unable to finish them. This was eight or ten years after the panic, and there the unfinished buildings stood as monuments to a boom that had been and was no more. Not many years ago a friend drove me around the outskirts of Dubuque and pointed out fields in farm crops that had been platted and sold as town lots in 1857.

So there in Dubuque in my boyhood I got my first lesson in the economics of a boom. The people of Dubuque in the fifties were convinced that they had the future great city of the upper Mississippi valley. They thought the river always would hold a commanding influence over trade in that region. They undertook to discount their expectations, they borrowed money on them, and came to grief.

HISTORY REPEATING ITSELF

There is one feature of that boom in the fifties—which by the way was not confined to Dubuque, but general over the country—that was like a feature of our own recent experience. The basis of the great expansion of credit in the fifties was the outpouring of gold from California. Gold had been a scarce commodity in this country before the discovery in California. The money was mainly state bank currency, nominally based on gold, but the bankers of that time had ways of making a little gold go a long way. Gold was discovered in California in 1848, and from the early fifties it was coming east at the rate of \$50,000,000 to \$60,000,000 per year. That was a lot of real money for that time; the state banks multiplied and continued to make a little gold go a great way, with the result that there was a great inflation of credit and most of it went into land speculation, with the result that the whole situation broke down in the panic of '57.

OTHER BOOMS EXPERIENCED

The next boom followed the Civil war. Like in our time, it was related to war. War always makes for inflation and high prices and the Civil war by its drafts upon capital and man power, interrupted and retarded the development of the country, but when the war ended, with the country united and its credit better than ever before, all energies turned to development. Europe was ready to invest great sums, particularly for railroads, and every part of this country was wanting railroads. Congress voted land grants freely to encourage their building, and the construction work gave a great stimulus to all business, and again to land and town lot speculation. Again expansion was overdone; too much new country was opened up, the farm staples all fell to very low prices, and the over-extended situation collapsed in 1873.

But population was increasing, and in the eighties railroad building revived, and was very active, not only

in this country but in many new countries—in Canada, in Russia, in Australia and in Argentina. In this country railroad building at that time mainly consisted of extensions by the roads running westward from Chicago, to occupy and preempt new territory. Furthermore, that was another period of excitement among “future great” cities, and of land and town lot speculation. I do not want to speak disrespectfully of the cities involved. There were St. Paul and Minneapolis, Sioux City, Omaha, Kansas City, Wichita, Dallas, Fort Worth, and more all the way to the coast, all fine cities today, but I suspect that none has had occasion to plat any new additions since 1890.

I recall a story of a man who said that on one day he was driven out from an Omaha real estate office to look at certain lots in an outlying district, and the next day was driven out to see some lots in an outlying district of Wichita, and he declared that they were the same lots in both cases. Of course, that was a great period of debt-making. I remember that the *Atlantic Monthly* sent a staff correspondent through the west at that time, to describe the numerous booms, and one of his comments was that “out in this country they call a man a millionaire when he owes a million dollars.”

That boom collapsed in 1893. So much railroad building and the opening up of great areas of new farming land, in this country and elsewhere, had the results of overloading the market for the farm staples, so that wheat fell to fifty-four cents per bushel in Chicago in 1894, and all other products in line with it. Feeling was so desperate that a lot of people wanted to change the standard of value; so along with all the other complications we had that on our hands.

So much for some of the more important crises and depressions of the past. They all have lessons for us. History shows that in all countries there is a tendency to alternating periods of business activity and depression with some of the fluctuations more violent than

others. They seem to have their roots in human nature itself, with its varying moods and impulses, its tendency to confidence and optimism at one time and doubts and depression at another. There is a psychology of the crowd, an infection of ideas to which we are all more or less subject and which manifests itself in mass movements and carries them to extremes, first one way and then the other. When a boom is under full headway, few people want to get off the wagon, even though they know that there may be danger ahead.

NOTHING WRONG WITH SOCIAL SYSTEM

There is an observation of rather vague character that is often heard and often from excellent and intelligent people, to which I would like to give a little attention. It is to the effect that these periods of depression must be taken as proof that there is something fundamentally wrong with our system of society or the present management of industry. That utterance, coming from persons whose opinions are entitled to respect, is picked up and repeated and passed along, with the weight of their names behind it, by every enemy of our institutions and of the existing order of society.

I will admit that the statement has certain plausibility and truth, but there is more error than truth in its implications, and on the whole such talk is misleading.

We all admit that society is not perfect, but most of us believe it to be a developing society. We recognize that it has certain defects or deficiencies, but there is reason to believe that the most serious of these is the character of the material that composes it—the human kind itself. You cannot get society as a body very far ahead of what it is individually.

One of the fundamentals of our society as we have always believed, is that it is a free society. We live under a regime of liberty. Our industrial system is a great voluntary system. Every person is expected to find his own place in it. There is no overhead authority

to tell any man what work he shall do or what pay he shall have for doing it. Whatever business relations we have with each other must be by mutual agreement or common consent. Furthermore, the conditions of industry and business are always changing; and that has to be so in a progressive society.

Under these conditions is it any wonder that there is some jostling and confusion? And what control does the individual business man have over the situation? If he is a manufacturer nobody guarantees that he will always have orders or always make profits. In 1929, certainly on the whole one of the best business years this country ever had, forty per cent of the corporations engaged in manufacturing reported no net earnings. The manufacturer must buy his raw materials by reaching an agreement with some one who has them for sale. He employs labor at the going and customary rates, which certainly he does not have the power to dictate. When he sells his goods he is subject to market conditions and must take the best price he can reach by agreement with a buyer who is as free to bargain as himself; and if he confers with others in his own line of business in any attempt to exercise general control over conditions, he runs the risk of going to the penitentiary. He is limited on every side by conditions over which at best he has only slight control. In truth he is limited by the rights of others—by the fact that every other factor in the process of production has equal rights with himself.

I am not going into an argument over the anti-trust laws and of course I do not claim that business should be able to dictate wages or fix prices to suit itself.

I am simply saying that this social and industrial organization of ours—with our theory of equal rights and freedom of action to all—is a very complex system, and that in fact the responsibility for control in the general sense implied does not exist anywhere.

Moreover, do we want it to exist? To whom shall be given the authority necessary to regulate all the business

of the country? To the government, it is said: That is the Soviet system. Of necessity, it involves the power to distribute the people in the industries, to send men to the wheat fields or the coal mines or the lumber camps, as the overhead authority may direct. Well, go about this country and see the extent and variety of its industries, get a mental picture of all the new ideas for the improvement of industry that are always taking form, and imagine if you can trying to direct and govern all these industries from Washington!

We cannot get along without organization or leadership. There must be executive authority somewhere. They have that in Russia with a vengeance. How shall the leaders be selected? Shall it be by lot, by political methods—as mayors and congressmen are selected—or by military power—or shall we continue to select under the business method, the competitive method, based on economic results—the method by which Melvin Traylor came up, step by step, to the presidency of the First National Bank of Chicago, and by which the executive position of nearly all the great corporations of this country have been filled.

STABILIZATION OF BUSINESS

It would be a fine thing I suppose to stabilize business, although absolute stability to my mind is inconceivable in a free society, but we will agree that it would be desirable to eliminate uncertainties so far as practical without impairing the independence and initiative which accounts for our progress, but it is never to be forgotten that it is the activities of the American people in the management of their own affairs—their buying and selling, their spending or saving, their investments or speculations, their ambitions and visions, their initiative and driving power and efforts to get ahead, that make the state of business what it is from time to time.

You have all heard it said of some individual that he did not stand prosperity very well. Well it may be said of business generally that it does not stand prosperity

very well. It has a tendency to lose its equilibrium, to neglect sound principles, lose its grip upon costs, and extend itself unduly, to get everything up in margins, with the result that the whole situation becomes honey-combed with weak spots. Then it is ripe for a crash. Business learns most of its lessons in the school of experience, and unfortunately every generation seems to insist upon learning for itself.

It was a rather common belief a few short years ago that the productive capacity of this country had become so great, the country had become so rich, business was so well organized, and the banking system was now so strong, that business would be more stable in the future, and we would not have crises and depressions as in the past. But the truth seems to be that a rich people, with a high standard of living, great accumulations of wealth and greater facilities for getting into debt, may blunder more disastrously and get its affairs into worse confusion than a poor people who never have had much to lose. Nevertheless it is true that on the whole the business structure of this country is much stronger than in the past.

MORE RECENT EXPERIENCES

Now let us come down to some of our recent experiences. Always the chief cause of our trouble has been the abuse of credit. In some respects assuredly we have improved upon past methods, but no one would claim that we had mastered that problem. When the Federal reserve system was established one of the things expected of it was that it would give us security against credit inflation. In that we have been somewhat disappointed. I have already said that the inflation period of the eighteen fifties was something like our own because it was based upon new supplies of gold.

The war brought us enormous additions of our gold stock. They came first in the settlement of our favorable trade balances, in the early part of the war, and after the war they came not only on account of trade

balances, but because of the unsettled political and economic conditions in Europe. Individuals, corporations and banks the world over wanted reserve funds in the United States for safety. It was as though the world had tipped and spilled its gold into our lap. We never could have acquired such quantities of gold under peace time conditions.

This massing of gold in the United States was followed more recently by very large accumulations in France, which I have not time to discuss. The United States and France hold today about 60 per cent of the total supply of monetary gold in the world. Undoubtedly this abnormal distribution of gold has been to the disadvantage of business everywhere. It has tended to make credit scarce and dear in some countries and in this country it has furnished the basis for the greatest period of credit inflation ever known. This credit inflation began with us in the middle west as a result of high prices for farm products and rising land values. The result there was a large turnover of lands at high prices and a great increase of mortgage indebtedness. The farm mortgage indebtedness of Iowa by the census of 1910 was about \$204,000,000 and by the census of 1920 was \$484,000,000, and that was in the best ten years for farming that Iowa ever had known. Naturally the local banks of Iowa became involved by assisting these purchases, and the result to both the farmers and the banks you know. That is one of the conditions which figures in "what is the matter" with this part of the world.

Then came the land and town lot boom in Florida, the results of which I need not dwell on, and which figure in what is the matter with that part of the world. And about that time activity in suburban real estate and in speculative building operations spread to all parts of the country. Finally came the great stock market speculation. I will not go into that very far; some of you may be tender on the subject, but we came out of the war with bonds and stocks at a low level, owing to the

competition of government bonds, and as these bonds were absorbed and taken out of the market, and as the new gold supplies accumulated in bank reserves, naturally general bond and stock prices began to improve. There is always a reason for the beginning of these booms, but after they get well under way reason has little to do with them.

THE U. S. RESERVE BANKS

I have said that it had been expected that the Reserve banks would be able to exercise control over credit expansion, and they tried to restrict the flow of credit to the stock market. They appealed to the member banks not to lend credit, and particularly not to draw upon reserve credit, for loans in the stock market and the member banks generally responded. So far as the member banks of New York are concerned the record shows that their loans to brokers were no higher in 1929 than they had been two years before. But then we witnessed a new development. The action of the banks in restricting their stock market loans caused interest rates on that class of loans to rise, but nobody was concerned about interest rates so long as the market was rising. The result was that money came from a multitude of sources, from all over this country and all over the world, but in the aggregate most of it came from bank deposits. The customers of the bank—individuals, corporations, and in many instances bank customers—proceeded to convert their deposits into brokers' loans for the sake of the high interest rates prevailing. I remember particularly one country banker telling me that the school district of his locality had withdrawn its funds from his bank and sent them to Wall street for investments in call loans. On October 1, 1929, the total amount of borrowings by the brokers who were members of the New York Stock Exchange, as reported to the exchange authorities was about \$8,500,000,000, and of that total slightly less than \$1,100,000,000 consisted of loans of New York members of the Federal reserve system on their own account. In other words, nearly seven-eighths

of the credit was from other sources. I think that statement is due to the member banks of New York city.

So the attempt of the Federal reserve banks to control the expansion of credit on stocks was unsuccessful, because in the last analysis the public controls the bank funds and the public refused to cooperate. Nevertheless, the reserve system served one important purpose. It held a great final reserve of credit intact, so that it was not drawn into the maelstrom, as had been generally true of bank credit in 1857, in 1873 and other booms, and when the collapse came that fund of reserve credit was safe and free to support the situation. That much of a gain has been made toward stabilizing the credit supply.

Now this concentration of gold—the basis of bank credit—in a few countries, is one of the conditions which figures in what is the matter with the world. It has clearly resulted from the war.

INTERNATIONAL AFFAIRS

I might mention, although it is a delicate subject, the conditions related to the great body of international indebtedness arising from the war. I will not discuss it from the standpoint of validity, or if you please, the equity of these obligations. I have always thought, myself, that from that standpoint the reparations agreements, and our debt settlements were justifiable, but certainly this great body of debts has an effect on the business situation. I don't know, and I don't think anybody knows, whether Germany can make the reparation payments or not, but one thing is certain, she can only pay by an excess of exports over imports. The debts are a great abnormal element in the situation, because they do not represent capital transferred from creditor to debtor for productive purposes. If we pursue a national policy which tends to cause a continual flow of gold to the United States either credit conditions in other countries will be disturbed to the general disadvantage or the balance of payments will be forcibly

adjusted by the exclusion of American products from foreign markets.

THE TARIFF

The tariff question, also, has a bearing here. I think it would be a good guess that a large majority of this company, including myself, have been supporters of a protective tariff. I question if there is a person in this audience who has written as much in behalf of a protective tariff as I have. I have always held that a reasonable degree of protection was natural and an advantageous policy for a new country, with great undeveloped resources and desiring to diversify its industries. But it is possible to overstrain a good argument. We all know that there may be mutual gains by trade. We act upon that principle in our private affairs. I don't cut my own lawn, or personally cultivate a kitchen garden, nor is the family clothing made in the family as was common 100 years ago. Since the war the whole world has gone to extremes on the idea of each country doing everything for itself. The effect has been to disrupt long established trade relations, to stimulate an unneeded increase in productive capacity, and on the whole to diminish the buying capacity of the world and the ability of debtor countries to meet their international obligations.

MORE FUNDAMENTAL PRINCIPLES

Let me lay down a few more fundamental principles. The modern industrial system is a highly organized and complex system. Each one of us does some one thing, which may have very little direct relation to his own wants, and depends upon obtaining what he wants by a grand system of exchange through the markets and by the use of money. It is a wonderfully effective system when all in order and in balance and working smoothly, but it is like every other complicated system in that it does get out of order occasionally. Since all business in the last analysis is an exchange of services, it follows that goods and services must come on the markets in fairly

proportionate relations to each other and to the demand for them. If that is not the case, if certain commodities are offered in excess of the demand for them, a surplus will accumulate, the prices will fall, the ability of those producers to buy the products of others will be reduced, and the whole system of trade will be disorganized.

The purchasing power of every group in the population is in its own products and services, and when you have the working population distributed in all the industries in right proportion to provide the goods and services in right proportions to each other, and they are priced in right relations to each other, the markets clear themselves with little or nothing left over, everybody is employed and we have what we call prosperity. Then we are getting out of the industrial system all it can give at the existing stage of development, and there is no danger of general over-production so long as the balance is maintained. There is practically no limit to human wants. There is not a family in a four-room apartment in this city tonight that would not like to move into a six-room apartment, or in a six-room apartment that would not like to move into an eight-room apartment, with all the additional furnishings and an automobile in the garage. The only danger of overproduction is an unbalanced production.

Production is regulated automatically with a good degree of success under normal conditions by the price system. Capital and labor tend to go out, or keep out, of industries that are poorly paid, and into industries that are better paid so that the balance is fairly well maintained. It is true that the system does not always work promptly, for sometimes people do not cooperate very well. Sometimes they get the idea that a parliament or a congress may suspend or repeal the law of supply and demand, and such efforts tend to confuse the situation.

And then changes are always going on in industry and extraordinary disturbances sometimes occur.

THE DERANGEMENTS OF WAR

The great war caused an enormous derangement of normal industry and trade. The situation in wheat illustrates this derangement. Before the war western Europe was accustomed to obtain an important part of its wheat supplies from Russia. The war cut off those supplies and also reduced production in western Europe, with the result that increased demands fell upon the wheat-producing countries outside of Europe—Canada, the United States, Australia and Argentina. A great expansion of wheat-growing occurred in these countries, and with Europe coming back to the volume of pre-war production there has been a gradually increasing carryover of wheat from year to year. Now Russia is claiming her pre-war place in world markets, and even threatening to take a larger place. The price of wheat falls, affecting the prices of all goods which they are accustomed to buy.

Sugar is another staple commodity which affords a like illustration. Before the war the production of sugar in the world aggregated about 18,000,000 or 19,000,000 tons, about one-half from beets and one-half from cane. The war swept over most of the beet sugar districts of Europe and nearly destroyed the industry there. As a result, prices rose, and the cane sugar industry in the tropics was greatly expanded. Now Europe is producing more beet sugar than before the war, the total production of sugar is up over fifty per cent from what it was in pre-war years, there is a heavy accumulation of stocks, prices have fallen and sugar-producers everywhere are in distress and unable to buy their accustomed quantities of other products.

The production of cotton and cotton goods was stimulated in this country by the war. The acreage in cotton has expanded west of the Mississippi river, over the plains region of the southwest, a region once supposed to be good for nothing but grazing, until the total acreage is forty to fifty per cent larger than before the

war. Furthermore, the cotton mills were so crowded with orders during the war that they resorted to the practice of operating night shifts, a practice that has been a plague to the industry ever since. The cotton goods industry has been an unremunerative industry for several years, with the operatives on part time, so that although their wages are nominally high in fact their purchasing power is very low.

The war interfered with normal building operations in most countries and wherever devastation occurred imposed the necessity for large post-war expenditures for reconstruction work. The urgent demands upon the building trades and industries in the years following the war caused a general rise of building costs, and now most countries are overbuilt, with little need or inclination to continue such operations at prevailing costs.

The shipping industry is in very bad condition, with a surplus of ships, freight charges lower than before the war, and all operating costs higher. We, together with the allies, took Germany's merchant fleet away from her by the peace treaty. We might have known that the Germans would have ships, and now they have nearly their pre-war tonnage, and since they are among the latest built they are among the best on the seas, and altogether there are too many ships.

I could go on for the rest of the evening with particular instances of derangements caused by the war, but I will come now to the most serious disorder.

THE MAJOR DISORDER

The war caused an enormous demand for manpower, foodstuffs, and many raw materials, resulting in a general rise of wages and prices. Now in the great fall of prices which has occurred since the war, and particularly in the last year, prices and wages have not all come down together. The prices of farm products and crude materials generally, which are produced largely by small proprietors and mainly by their own labor, have come down in a great slump to approximately the pre-war level.

On the other hand, in the manufacturing industries, the building industry, the transportation and distributive services generally, governmental services, professional services, you have a vast network of relationship in which wages or personal compensation are the principal factor, and these do not move readily, at any rate, downward. They went up fairly well together, but to attempt to readjust them downward together, in a manner that will leave everyone in the same relative position, is a very difficult undertaking.

We may as well face the fact, however, that owing to the disorganization of the industries, and their changed relations to each other, products are not moving in trade and into consumption as they did. The channels of trade are obstructed, congested. People cannot buy the products of others because they cannot sell their own, or cannot sell them at prices which give the same purchasing power.

As a matter of fact, all kinds of compensation have come down, primarily because the volume of business has fallen off. Nobody likes to say anything about reduction of wages. Our leading industrialists generally have taken a position against wage reductions and I think their attitude does credit to their sentiments and inclinations. It certainly would be reprehensible for an employer to take advantage of conditions to enforce wage reductions simply for his own gain, but—this is not a question of conflicting interests between employers and wage earners. Fundamentally it is a question of readjusting relations between the industries, so that goods will flow into consumption and the workers of all the industries can have full employment and buy each other's goods, with a corresponding readjustment of the cost of living.

After all, we know that actual wage payments have suffered a great reduction. The man who is out of a job certainly has had his wages reduced, and the man

who is working only three or four days per week has had his wages reduced. But unfortunately there are no compensating benefits. Such reductions do not reduce the costs of production or the costs of living; therefore, they do not stimulate consumption or increase employment. They do nothing to restore the balanced relations that are necessary to prosperity. The "staggering" of employment, so that one set of men have work part of the week and another set of workmen the rest of the week, does not put full wages in the pay envelopes. It is only a temporary expedient with an actual reduction of wages, waiting for business to start up, but doing nothing to start it up, and meantime savings are being exhausted, millions of men have no employment at all and the country is wasting its resources.

I do not say that wages—real wages—must be reduced and I certainly do not believe that the standard of living need be reduced. I do say that goods that are relatively high must come down or goods that are relatively cheap must rise, or that there must be adjustments to bring them to a common level. It may be that improvements in methods of production may bring down, at least in part, the goods that are relatively high. Somehow the balanced relationship must be restored in order that goods will buy goods on the usual basis.

Furthermore, if we can get all the industries busy and all the goods moving into consumption, we will find that prices and wage rates will soon be on a rising instead of a falling scale. There is no need to worry about wage rates or the standard of living if you have everybody employed and all the goods being consumed. The standard of living is not indicated by money wages, but by purchasing power over goods. Nothing can prevent constant advance in the purchasing power of wages as the productivity of industries increases, always provided full employment can be had, and that, as I have said, is dependent upon the relations between the industries.

GREAT BRITAIN'S PREDICAMENT

This is a world-wide depression, and the industrial situation is perhaps worse in Great Britain than in any other country, because of the extent of her foreign trade. Her imports are chiefly foodstuffs and raw materials for her industries, while her exports are manufactured. One of the best known of English economists, Professor Henry Clay, in a radio address recently, said that the average price level of British exports in 1930 was 51.3 per cent above the pre-war level, while the average of British imports was only eighteen per cent above the pre-war level. That was the average of 1930; the difference would be greater now. That seems to explain why Britain's foreign customers are not taking as many of her goods as formerly and it throws light upon the whole world situation.

The recent census of the United States shows the population to be fifty-four per cent urban and forty-six per cent rural, the census definition of "rural" including villages of up to 2,500 people, most of them mainly dependent on the surrounding farm population. A disruption of prices similar to that described by Professor Clay exists between these two groups. There are plenty of goods, or capacity to make them, in both groups, but the disruption of prices prevents the trade. This is the plain explanation of the spectacle of want in the midst of plenty, of which we are hearing and reading so much.

In England the result is an appalling amount of unemployment. A recent statement shows that twenty-one per cent of the workers included in the unemployment insurance system are on the dole. The regular insurance fund is exhausted, and advances from the Treasury were \$150,000,000 last year; this year has been started with \$100,000,000 and the Chancellor of the Exchequer has recently stated that the total cost of the dole is now running at the rate of about 100,000,000 pounds or \$500,000,000 per year.

The exchequer balance had a deficit last year and taxation was increased; for the fiscal year ended March 31, 1931, it shows another deficit and taxation will have to be increased again.

Evidently it would be vastly better for all classes in England if the great sum being expended upon unemployment doles was being paid in wages for the production of goods, and for the improvement of the industries to make more goods, and thus advance the standard of living above the level of the dole!

That is the situation of Great Britain. It goes without saying that people must not be permitted to starve, but on the other hand, there are abundant warnings against the unwisdom of paying people for doing nothing. It is agreed that there are grave abuses in the system. It has become a common practice for employers to cooperate with employes in arranging with them to alternate half the time in their regular jobs for the employers, and go half the time on the dole.

It is impossible in any country that such a system will not be abused under the pressure of political influence, and that the recipients of such aid will not be demoralized by it, and by the belief that they are entitled to be maintained at the public expense.

APOCRYPHAL BUT ILLUSTRATIVE

I heard a story the other day which may be apocryphal, but no doubt illustrates a common opinion about the dole. A man was asked by an acquaintance if he was having any success in getting a job, and he said no, nothing that he cared for. He added that he had a chance to get a job with a few shillings a week more than the dole, but he thought he would rather be *independent!*

Let me emphasize again that the secret of prosperity is in balanced relations between the industries, for in the last analysis they buy and consume each other's goods. The purchasing power of every group is in its own products and services. And there is no danger of overproduction so long as they are in balance. There

is no limit to the amount of work to be done in the world, the amount of business to be had or the amount of wealth that may be created from the resources of Nature. The great problem of society is neither one of class confliction, or of international rivalry, nor of general overproduction. The problem is to so organize, integrate and develop the resources and industries of all countries as to secure the greatest possible production and distribution of all those things that will minister to the comfort and welfare of all people of the world. That is the great appeal to the enlightened and constructive forces of the world!

OPPOSED DIVORCE BY LEGISLATIVE ACT

Gov. John Chambers: The theory of our government teaches that the most perfect security to liberty, and to individual rights, is to be found in the distribution of its powers among three distinct bodies of magistracy, and the confinement of each within the sphere prescribed by the constitution for its action. I submit then, that the concurrent exercise of the power to dissolve the bonds of matrimony, by the legislative and judicial departments, is a departure, and a dangerous one, from the principles of our government, and ought to cease. If the powers conferred by law upon the judiciary, are found too limited, let them be enlarged; still securing to the parties implicated, the unalienable and invaluable right of defending themselves, and of demanding the production of legal and competent evidence against them, before sentence of divorce is pronounced . . . Too much facility and encouragement has been given to applications for legislative interposition in such cases, and satisfies me that it will be more safe and more consistent with the principles of our government to leave them to judicial action, than to continue to legislate for each particular case.—Message to House of Representatives, Feb. 14, 1843.

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