RICH MAN POOR MAN

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RICH MAN POOR MAN

★ STUART CHASE
★ HENRY PRATT FAIRCHILD
★ HARRY A. OVERSTREET
★ EDITORIAL COMMITTEE



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THE PEOPLE'S LEAGUE FOR ECONOMIC SECURITY is an attempt to answer the demand for constructive social action. Its ideas and policies do not represent any one individual or any existing political or radical group. They are the result of the combined thinking of a group of recognized leaders in American social, economic, and educational life.

The League looks forward to the organization of a social order so alert to its own welfare that production will be for use rather than for profit, and the needs and desires of the people will govern all activity. With such an order in view, the League proposes to give to its members the facts regarding existing conditions and the means of organizing intelligent opinion into channels of action.

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RICH MAN, POOR MAN

pictures of a paradox

BY RYLLIS ALEXANDER GOSLIN & OMAR PANCOAST GOSLIN

a publication of

THE PEOPLE'S LEAGUE
FOR ECONOMIC SECURITY

★
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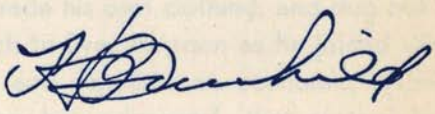
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One can live forty days without food, four days without water, but not four minutes without air. Which is the more valuable commodity? But air is so abundant it cannot be capitalized and sold. Every commodity made by modern mass production is headed toward the status of air. Sooner or later it will reach a point where it will not function in a profit economy founded on scarcity. Overproduction, unmanageable surpluses, show that many commodities have already reached that point. It is, then, either a new system consistent with the age of power, or back a hundred terrible years to genuine scarcity. My money is on the new system.

Stuart Chase

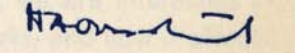
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An economic system based upon the competitive struggle for monetary profits and a social system dominated by the principle of conflict are equally archaic. A society that discards the profit motive in favor of production for abundant use, and substitutes cooperation for conflict, will be well on the way to stable prosperity.



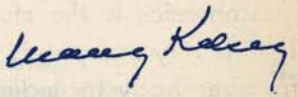
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It is not too much to hope that we can fashion today—a New World. We have postponed the matter long enough. We possess the resources and the instrumentalities. It is time now that we take our life in hand and make it into something decently and greatly human.



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RICH MAN, POOR MAN is the first of a series of publications which the People's League for Economic Security plans to put before the public. It presents in a nut-shell the philosophy of the League, a philosophy which the League aims to see realized one day as a practical reality.



Chairman
Publications Committee

★

THE PURPOSE OF AN ECONOMIC SYSTEM

Economics is the study of man's efforts to make a living. That is why everybody is interested in it. It is important, too, for everybody to understand just what an economic system is for, and how it works. Just as all the players on a football team must know the object of the game, and what they must do if they expect to win.

Way back in the early history of mankind, a man went out and found his own food, made his own clothing, and dug out a cave or built a hut in which to live. As soon as he joined with others, dividing up labor and supplies, an economic system was set up. As civilization has advanced, that system has become more and more complicated. But its purpose is still the same—to provide food, clothing, shelter, medical care, education, and as many comforts as possible to all the people who live under it.

Because we live in the United States, we are interested in seeing how our own economic system works, and how it affects all the people who live here.

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OUR WEALTH AS A NATION

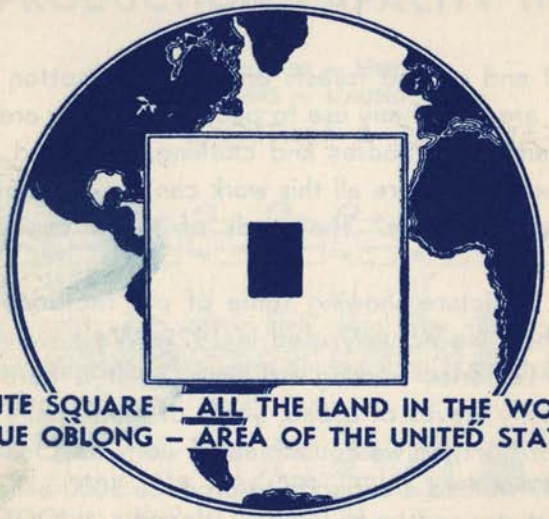
Natural Resources

The country in which we live is the richest country in the world. It is rich not only in terms of dollars and cents but what is more important, it is rich in all those things that are necessary for the making of dollars and cents.

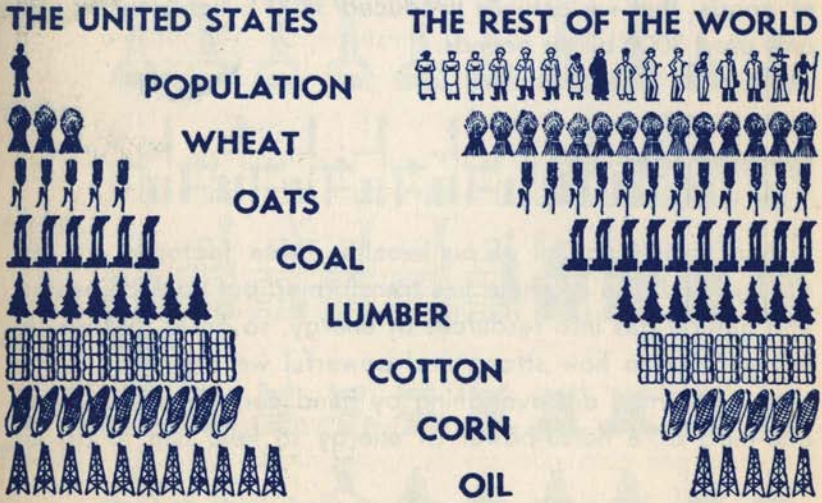
We occupy only about one-twentieth of the land on the earth. For every person in the United States there are sixteen people in other countries. All these people—about two billion in all—must get their food and clothing and shelter in the countries where they live. As a matter of fact, there are several countries where there is not anywhere near enough to go around. It is said that three-fourths of the people in the world never get enough to eat.

We can understand why that is when we look at the picture on the opposite page. You see there that one man, Uncle Sam, represents all the people in the United States, and the sixteen little men represent the people of all the other nations. Now look what Uncle Sam has. And in comparison, see what the other sixteen men must divide among them!

THE RICHEST COUNTRY IN THE WORLD



WHITE SQUARE – ALL THE LAND IN THE WORLD
BLUE OBLONG – AREA OF THE UNITED STATES



Factories

But coal and oil and forests and fields of cotton and corn and wheat are not of any use to people until they are changed into heat and light, houses and clothing, and food. So there must be factories where all this work can be done. How many factories do we have? Thousands of them. Enough? More than enough.

Here is a picture showing some of our factories and how many of them we actually used in 1929. We have never had all of our factories working full time, so it is hard to know just how many loaves of bread, yards of cloth, pairs of shoes, or pieces of furniture we could make if we tried. One man says that in 1929 we had a capacity to produce 5000 billion pounds of goods, that we actually produced 3800 billion pounds, and only used 3000 billion pounds.

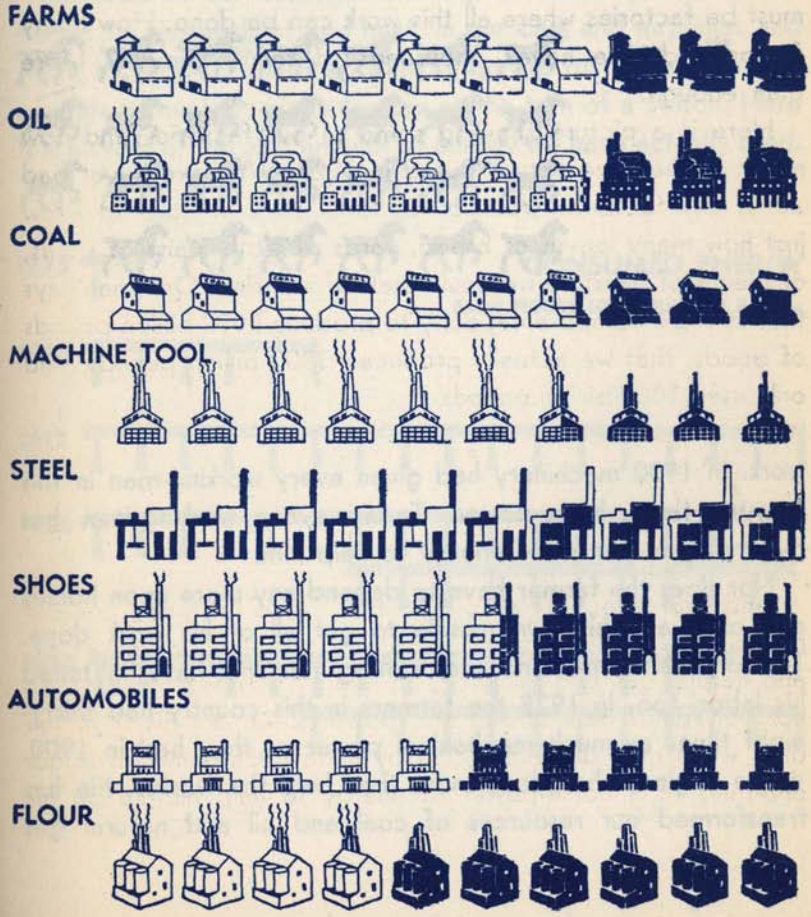
Energy Horses

And that is not all of our wealth. These factories are not run by hand. The engineer has transformed our coal, oil, water, and natural gas into resources of energy, so great that we do not yet realize how strong and powerful we are. Back in the days when men did everything by hand each man had about one-third of a horse-power of energy to help him to do his

*

OUR PRODUCTION CAPACITY IN 1928

WHITE FIGURES – USED
BLUE FIGURES – UNUSED



OUR ENERGY HORSES

EACH MALE WORKER — INSTALLED HORSE POWER



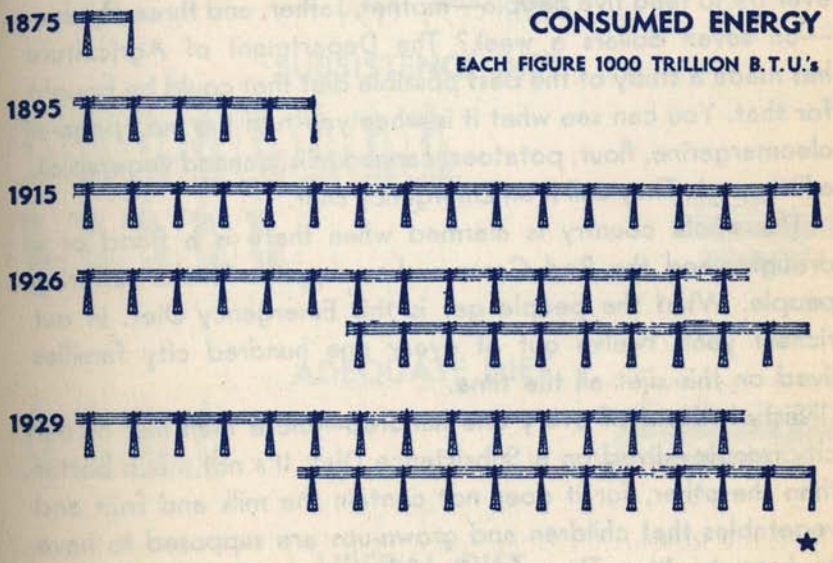
work. In 1900 machinery had given every working-man in this country three horse-power. Today every working-man has twenty-seven horses of energy to help him.

Nor does the farmer have to depend any more upon horses and oxen and his own muscle to get all of his work done. Tractors, harvesters, and even milking machines have lightened his labor, too. In 1928 the farmers in this country had thirty-eight times as much mechanical power as they had in 1900.

The engineer has done more than help the worker. He has transformed our resources of coal and oil and natural gas

into great reservoirs and power-houses of electricity for use in our homes and schools and offices, making it possible for us to have electric lights, gas and electric stoves, mechanical refrigerators, vacuum cleaners, automobiles, oil-burning furnaces, and countless other conveniences.

Installed in our factories to help us make goods, in our homes to give us light and heat, in our cars and airplanes and trains to carry us where we want to go are trillions and trillions of units of energy, ready for use at the turn of a switch. Here is a picture of the vast amount of energy we have actually used.



★

OUR POVERTY AS INDIVIDUALS

Not Enough Food

The United States is a very rich country and yet—in 1929, our richest year, most of our people did not have enough to eat. One-sixth of the families who did not live on farms spent only $350 a year for food or about a dollar a day. Did you ever try to feed five people—mother, father, and three children—on seven dollars a week? The Department of Agriculture has made a study of the best possible diet that could be bought for that. You can see what it is when you turn the next page—oleomargarine, flour, potatoes, canned milk, canned vegetables, a little pork. They call it an Emergency Diet.

The whole country is alarmed when there is a flood or a drought, and the Red Cross rushes supplies to the suffering people. What the people get is this Emergency Diet. In our richest year, twelve out of every one hundred city families lived on this diet all the time.

Sixty-two out of every one hundred—more than half of our city people—lived on a Subsistence Diet. It's not much better than the other, for it does not contain the milk and fruit and vegetables that children and grown-ups are supposed to have to keep healthy. Three-fourths of our city families did not

*

NOT ENOUGH FOOD

NUMBER OF FAMILIES

EACH FIGURE  1 MILLION FAMILIES 5 PERSONS EACH

WHAT THEY SPENT FOR FOOD

EACH FIGURE  $100 PER YEAR

EMERGENCY DIET





SUBSISTENCE DIET







ADEQUATE DIET





LIBERAL DIET





have enough food, and only one in ten had all they should have had to eat.

Not Enough Clothes

If people could not buy food, they could not afford to have many clothes. As a matter of fact, not enough were made, because merchants knew that people could not buy them. And of course, even some of the suits and overcoats and dresses that were made were left in the shops. But suppose that in 1929 we had divided the number of articles made equally among the people in the country who should have had them to wear. The result would have been this. Every man and boy during the entire year would have had one-half of a suit, one-sixth of an overcoat, three shirts, one-half of a sweater, two and one-ninth hats. For every woman and girl there would have been two-fifths of a coat, one-half of a sweater, two and one-third hats, and three and two-thirds dresses.

If any man bought three suits, one overcoat, eighteen shirts, and three sweaters during that year, it meant that six other men did not have any. And some men bought as many as ten or a dozen suits. And women were not any better dressed than the men, even though more dresses were made than men's suits. They have to have a greater variety of materials and styles and color—cotton, linen, rayon, silk, woolen, chiffon, satin—for spring, summer, winter, fall.

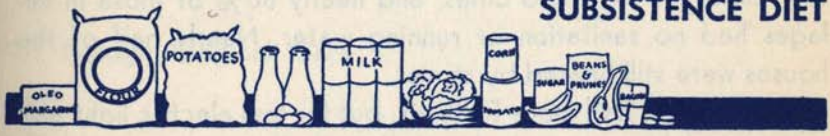
WHAT THEY HAD TO EAT

A COMPARISON OF FOUR DIETS

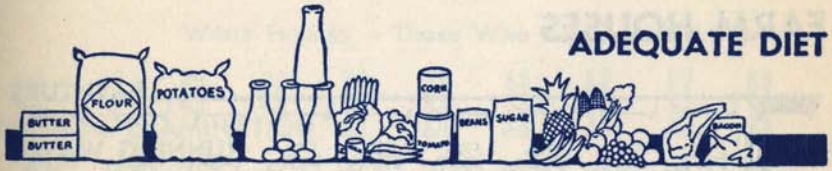
EMERGENCY DIET



SUBSISTENCE DIET



ADEQUATE DIET



LIBERAL DIET



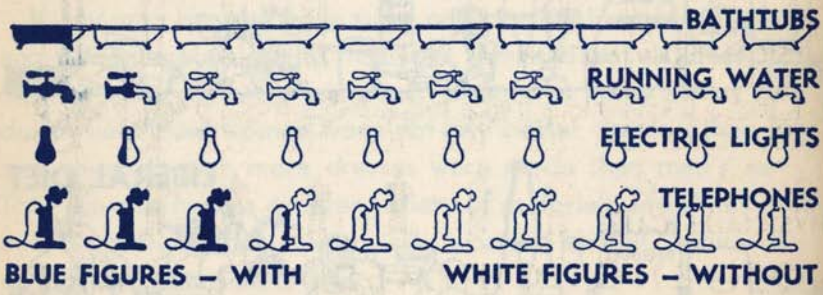
The men, women, and children in our country did not have enough clothes to wear at the time of our greatest prosperity.

Not Enough Houses

People not only have to have food to eat and clothes to wear. They must have houses to live in. What kind of houses did people live in in 1929? Two-thirds of our families did not have adequate or decent homes. One-fourth of the people were living in slums or in shacks that should have been torn down. Over one-third of the homes in towns and cities, and nearly 80% of those in villages had no sanitation or running water. Nearly half of the houses were still heated by stoves.

Farm houses had more fresh air, but far less electric light and warmth and sanitation, as this picture shows.

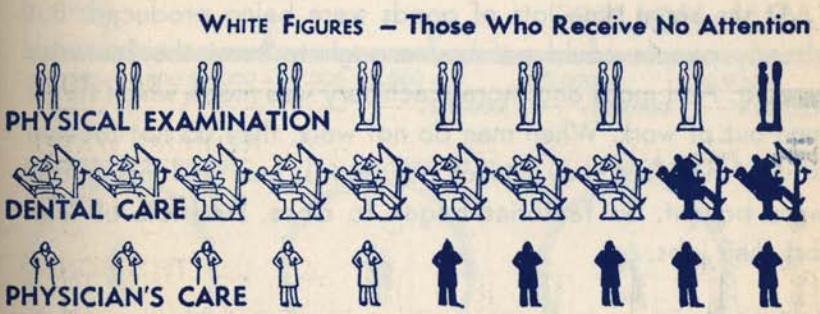
FARM HOUSES



We have been proud of our American homes, and thought that we were a nation of home owners. Less than half of our people owned their own homes in 1929. The reason is clear. It is a safe rule that a family cannot buy a home which costs more than twice their annual income. In 1929 any decent kind of a home cost at least $4500. The average cost of the houses built at that time was $4900. But only one-third of our families had incomes of $2500 or over. One-third more could only afford to pay $33 a month rent or buy a house costing $3000. The rest of the families had to live in a few rooms renting for $10 or $15 a month without heat.

Not Enough Medical Care

Sickness means suffering. It means being unable to work



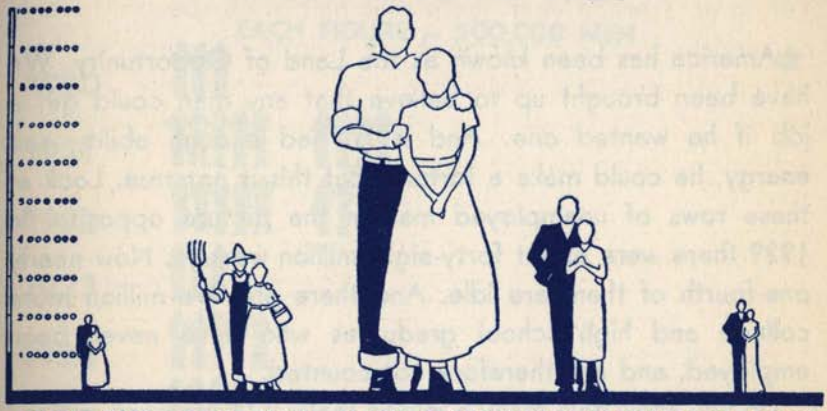
and earn a living. When not taken care of, it may mean death. So it is important for people to be able to have medical care. Yet, in an average year, more than half of our people receive no services from a physician. More than three-fourths of them get no attention from a dentist. Nine out of ten have no health examination, although it is so important to prevent illness instead of having to try to cure it.

Not Enough Income

Why is it that at the time of our greatest prosperity most people did not have enough to eat, or enough clothes to wear, or a decent place in which to live, or a doctor to take care of them when they were sick? The answer is very simple. They did not have the money. This picture of the Family Income speaks for itself.

At the same time lots of goods were being produced. But already people could not buy enough to keep the factories running. And more and more machinery was made which threw men out of work. When men do not work, they do not receive wages, therefore they cannot buy goods. Less and less goods were bought. So factories began to close. And lots of men lost their jobs.

FAMILY INCOME 1929



UNDER $500 | $500 – $1,000 | $1,000 – $2,000 | $2,000 – $3,000 | $3,000 – $4,000



$4,000 – $5,000 | $5,000 – $7,000 | $7,000 – $10,000 | $10,000 – $20,000 | $20,000 – $50,000

MAGNIFIED 30 TIMES



$50,000 – $100,000

MAGNIFIED 60 TIMES



$100,000 – $500,000

MAGNIFIED 300 TIMES



OVER $500,000

Not Enough Jobs

America has been known as the Land of Opportunity. We have been brought up to believe that any man could get a job if he wanted one. And if he had enough ability and energy, he could make a fortune. But this is not true. Look at these rows of unemployed men in the picture opposite. In 1929 there were about forty-eight million workers. Now nearly one-fourth of them are idle. And there are five million more college and high school graduates who have never been employed, and are therefore not counted.

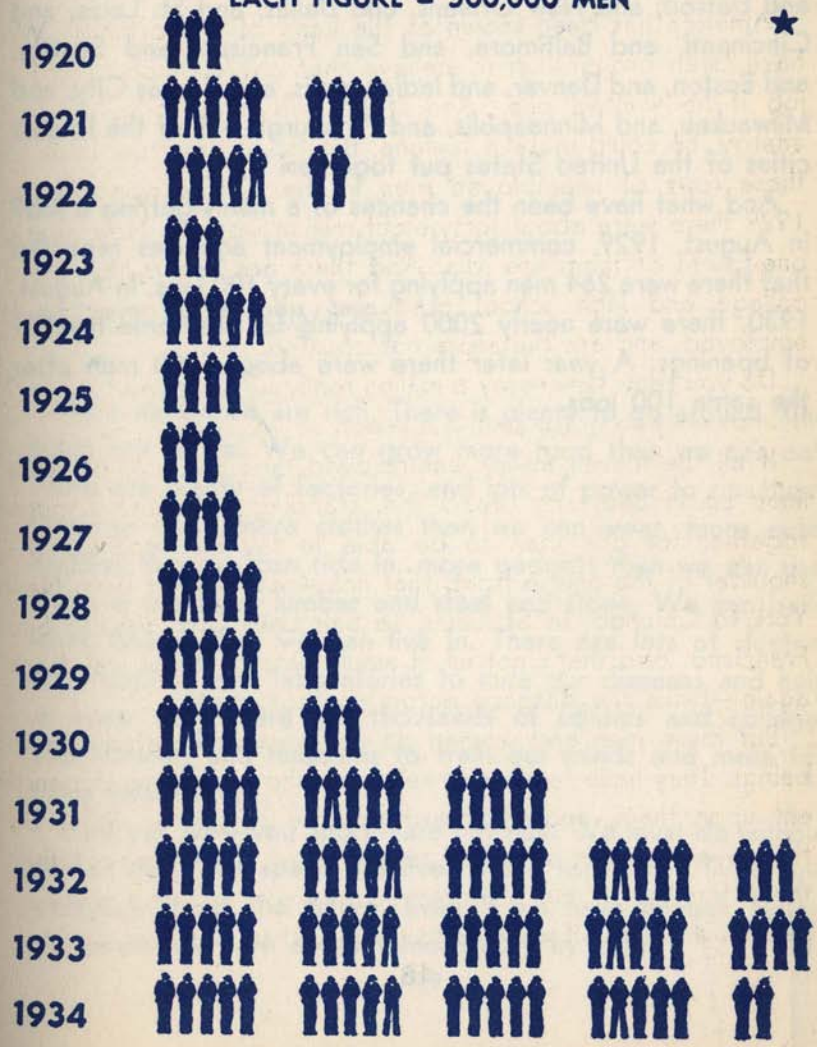
Do you know how many a million really is? Or eleven million? It's not easy to grasp such a number, so we'll help you.

If all the eleven million unemployed men and women were lined up in one long bread line, standing just close enough together for one man to be able to lay his hand on the shoulder of the one in front, that line would extend from New York to Chicago, to St. Louis, to Salt Lake City, yes, to San Francisco. And that's not all. It would extend all the way back again—twice the distance across the continent!

But these men and women do not exist as isolated human beings. They have families or relatives who have been dependent upon them, and who must now be cared for either by the government or by other people. Now, if we suppose that these families of the unemployed average two and one-half persons each, and if we were to imagine them all living together

UNEMPLOYMENT

EACH FIGURE – 500,000 MEN



in one city, it would make a city the size of New York, and Chicago, and Philadelphia, and Los Angeles, and Cleveland, and Detroit, and New Orleans, and Dallas, and St. Louis, and Cincinnati, and Baltimore, and San Francisco, and Seattle, and Boston, and Denver, and Indianapolis, and Kansas City, and Milwaukee, and Minneapolis, and Pittsburgh—all of the largest cities of the United States put together!

And what have been the chances of a man's getting a job? In August, 1929, commercial employment agencies reported that there were 264 men applying for every 100 jobs. In August, 1930, there were nearly 2000 applying for the same number of openings. A year later there were about 5000 men after the same 100 jobs.

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ABOUT ECONOMICS

As a nation we are rich. There is plenty to go around. Our lands are fertile. We can grow more food than we can eat. There are plenty of factories, and lots of power to run them. We can make more clothes than we can wear, more automobiles than we can ride in, more gadgets than we can use. There is plenty of lumber and steel and stone. We can build more houses than we can live in. There are lots of doctors and hospitals and laboratories to cure our diseases and help us keep well. There are thousands of schools and colleges and libraries and museums to train our minds and make life more interesting.

And yet, we—you and I—are not rich. We must do without this or that. We spend our lives trying to make a living and worrying about the future. Even if we have enough today, we cannot be sure about tomorrow. Why is this?

How Men Trade

Not so very long ago men traded one thing for another. The farmer took eggs to the shoemaker and got a pair of shoes. The miller accepted a share of grain for the use of his millstone. But with the invention of machinery and the building of cities, exchange of goods is not so simple. The clerk in New York cannot get to the orange-grower in Florida. The worker in the factory making auto parts cannot take a bolt or a frame to the baker and get bread. Men make a particular item or render some special service which cannot be used in trading.

What is more, it used to be that each man with the help of his family grew his own food, wove his own clothes, and built his own house. Now few men do any of these things. Men have become more and more dependent upon each other. The steel-worker is dependent upon the farmer for bread, the stock-broker upon the carpenter to build him a house, the stenographer upon the silk mill operator for stockings.

Then, too, with the invention of tools and machinery, each man with the same amount of labor could produce more goods. That meant that there was more and more to go around. Men could enjoy a higher standard of living.

How the Medium of Exchange Became Important

Because we are dependent upon other people, and because we cannot exchange things directly with them, it has been necessary to have some simple method of exchange. That method is money. And since it is so necessary to change goods and services into money, money has become more and more important. It has finally come about that the purpose of our economic system is not to provide people with food and clothing and shelter, but to sell goods and make money.

Why does the farmer grow wheat? To feed people bread? No. To sell the wheat and make money.

Why does the manufacturer make cloth? To supply people with clothes? No. To sell the cloth and make money.

Why does the lumberman chop down trees and cut them up? So that people can build houses? No. To sell the lumber and make money.

Why does the banker take care of your money and make loans? To make exchange easier? No. To collect interest and make money.

True, all these men have seen that there is a need for their particular product or service, but the real motive for what they do is to make money, not to give service. In fact, it often happens that if one person is making a lot of money supplying

groceries or gasoline or automobiles in a certain community, another person decides to go into the same business. The second man does not consider whether he is needed to help supply the wants of the people. He sees only a chance to make money.

It has been the custom to find out what people wanted, get a quantity of it, and supply it to them for more than it costs. The more people wanted it, the more they would be willing to pay for it, especially if the supply was limited. In some cases men have even destroyed goods and crops in order to get people to pay a higher price. If a man could get hold of the entire supply of what people wanted, he was most fortunate and could make lots of money. His purpose was not to furnish his product to people as cheaply as possible, but to make them pay as much as possible.

So, in our present economic system the primary object of any individual or business has not been to supply a need or distribute goods but to sell the goods and make money.

What Is Wealth?

Under such a system nothing is valuable unless it can be sold. An oil well is of no use to its owner unless he can sell oil or lease his land—he cannot eat the oil or wear it. A shoe factory is of no use to the manufacturer unless he can sell shoes—he cannot eat leather or wear more than one pair at

a time. A dairy farm is of no use to the farmer unless he can sell milk—he can drink only so much and he cannot make clothes or a house out of the rest. You may have a beautiful voice or a hand that can paint, but unless you can sell these talents to someone, you cannot make a living. In our economic system that alone is valuable which can be sold.

All of us are dependent upon other people having money and desire enough to buy what we have to sell, whether that is bread or oil or dresses or labor or ability to paint or sing. Our system can work only if people are able to exchange all of their goods and services. But there are certain reasons why such a complete exchange is impossible.

★

WHY PEOPLE CANNOT TRADE

1. More Machines, Less Jobs

The first reason why people cannot trade all their goods and services is because some people who have only services to exchange are not allowed to exchange them.

Machinery is invented which does their work better and more quickly, and they are told they are no longer needed.

This picture shows how much work some of these machines can do, and how many workers they can displace.

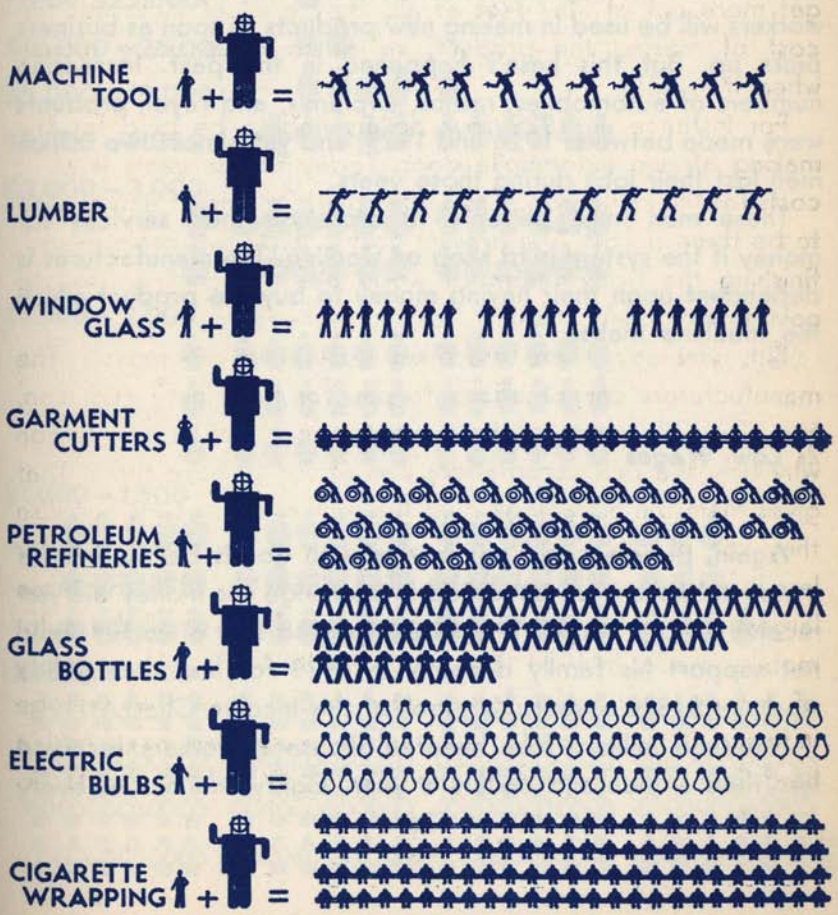
We ought to be grateful to the engineers who invented these wonderful labor-saving machines. But are these machines installed to lighten men's work and give them a chance to get more out of life? Not at all. They are put in to cut the cost of making the product, so as to make more money when it is sold.

For instance, in 1929 four dollars had to be paid for the making of one automobile door. Today fifteen cents is all it costs for the same work. The wages paid for body-framing used to be three dollars. The present cost is thirty-five cents. Hand-finishing the body-frames of wood before paneling used to cost three dollars. Now it costs only twenty cents.

But, you say, these machines cost a lot of money. The manufacturers cannot afford to pay for machinery and men, too. They do cost a lot of money, and that is the reason why only the rich corporations can afford to have them. That gives them the advantage over the smaller businesses, because they can produce more, reduce overhead costs, pay out far less in wages and lower their selling prices. In 1929 the three largest automobile companies produced 77% of all the automobiles made. In 1934 they produced 88%. They have plenty of money, and make far greater profits than the average industry. But the smaller automobile companies have had a hard time of it. The working capital of eight of these companies

TECHNOLOGICAL DISPLACEMENT

In These Industries Operator and Machinery Do the Work of So Many Men



shrank from $179,000,000 in 1929 to only $79,000,000 in 1933.

Meantime, the men who have been displaced by the machines cannot find any other place where their services can be used. Perhaps you think they can find a place in the factories that make the machines. But here again there are labor-saving methods for making the machines. Or perhaps you think these workers will be used in making new products as soon as business picks up. But this hasn't happened in the past. Increasing numbers of automobiles, radios, airplanes, and rayon products were made between 1926 and 1929, and yet almost two million men lost their jobs during those years.

These men must be able to exchange their services for money if the system is to keep on working. The manufacturer is dependent upon their having money to buy the product which the machine makes.

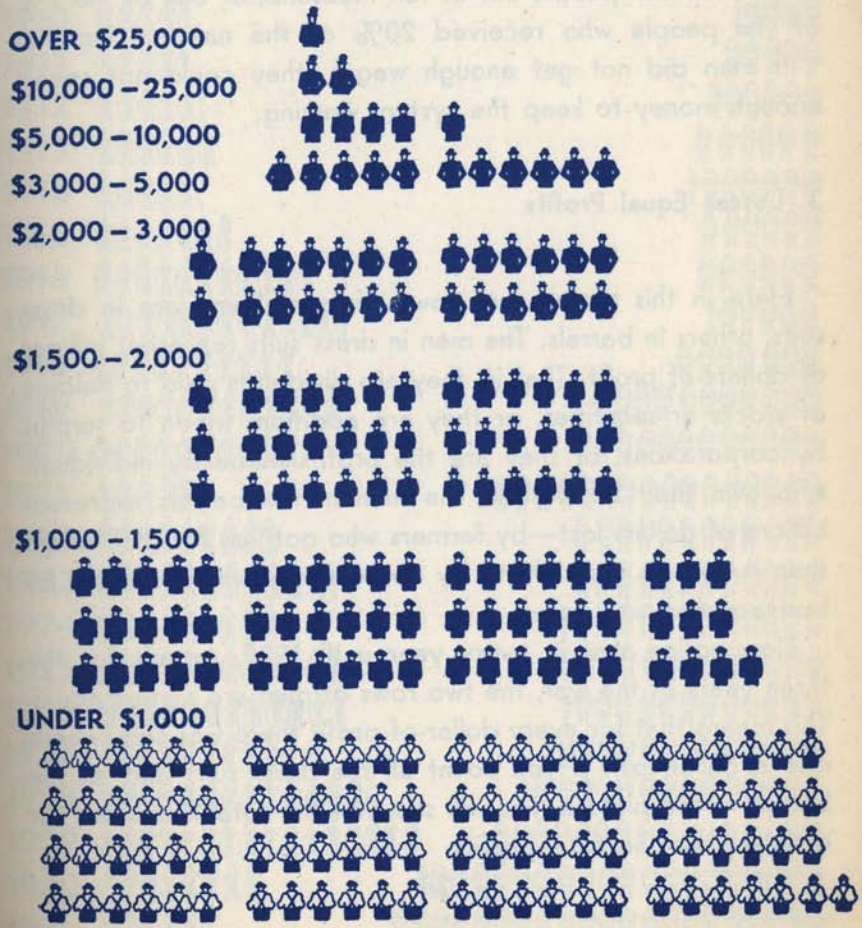
2. Low Wages

Again, people could not buy enough goods because those whose services were accepted in exchange for money did not receive enough wages. It has been proved that a worker could not support his family decently in 1929 for less than $35 a week, or $1820 a year. Yet, look at this Income Chart.

Nineteen million, four hundred thousand workers received less than a thousand dollars a year. Eighty-one out of every

AVERAGE INCOME IN 1929

EACH FIGURE – 200,000 WORKERS



hundred got less than $2000. Only fifteen received between $2000 and $5000. That leaves only four men out of the hundred to enjoy an income of more than $5000. If you were lucky enough to have an income of $25,000 or more, you were one of thirteen people out of ten thousand, or one of the 1% of the people who received 20% of the national income.

If men did not get enough wages, they could not spend enough money to keep the system working.

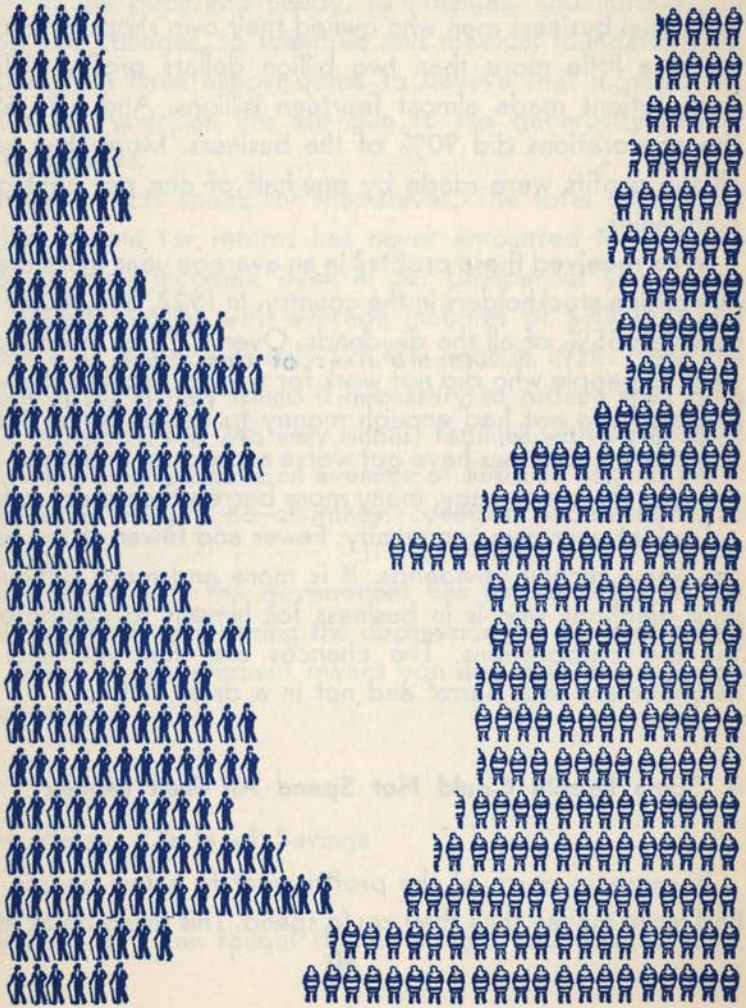
3. Losses Equal Profits

Here in this picture are rows of men. Some are in dress suits, others in barrels. The men in dress suits represent billions of dollars of profit. That is, they are dividends paid to holders of stocks or securities, or they are additions made to surplus by corporations, or they are the profits made by individuals who own their businesses. The men in the barrels represent billions of dollars lost—by farmers who got less for their crops than it cost to grow them, by corporations with a deficit, by business men who failed.

Now notice that in every year until 1929, except for the three years of the war, the two rows of men are almost equal. This means that for every dollar of profit there was somewhere else a dollar lost. If you count all the dress suits and all the barrels in the picture, you will see that the total losses are far greater than the total profits.

PROFITS AND LOSSES

EACH FIGURE – 1 BILLION DOLLARS



Who made the profits? The average business man has less and less chance to make a profit. Most of the business in the country is done by groups called corporations. In 1929 the individual business men who owned their own shops or factories made a little more than two billion dollars profit, while the corporations made almost fourteen billions. And only 6% of the corporations did 90% of the business. More than half of all the profits were made by one-half of one per cent of the companies.

Who received these profits? In an average year there are only five million stockholders in the country. In 1927, 345,000 of them received 55% of all the dividends. Over 90% of the dividends went to people who did not work for wages. Because the wage-earners have not had enough money to spend during the last five years, conditions have got worse and worse, and since 1929, you see, there are many, many more barrels than dress suits.

Look at your own community. Fewer and fewer of the people you know receive dividends. It is more and more difficult for your neighbor who is in business for himself to compete with the big corporations. The chances are that you and your neighbor are in a barrel and not in a dress suit.

4. Some People Could Not Spend All Their Money

Because so much of the profits went to a few people, they had more money than they could spend. This piling up of money

prevents the necessary exchange of goods and services. Many people think that the rich men and women give lots of money away—to the poor and needy, to hospitals and libraries, to schools and colleges, to scientific and medical foundations, to churches. We have almost come to believe that most of the benefits of American life are due to the generosity of our wealthy families.

But these facts speak for themselves. The total gifts of all who file income tax returns has never amounted to as much as 2% of their incomes, even in our prosperous years. Our 3000 richest families with average incomes of $300,000 and over gave an average of only $25,400 each in 1928. After the depression set in they found it necessary to reduce their gifts to $12,900 each. The 248 very richest families with incomes of over a million dollars gave an average of $30,100 each in 1928. This includes all gifts to churches, colleges, endowments, or relief.

This explains why the government has to pay 70% of the cost of relief not only during the depression but even in normal years. And the government means you and me—the average tax-payer.

5. The Vicious Circle of Savings

We have all been taught that it is right and wise to save.

This chart shows how much people have saved. You see the man at the top spent only a little more than a quarter of his income. But even the man at the bottom managed to save 5% of his wages. Notice that the people with incomes less than $25,000 saved just as much as those with incomes over $25,000.

People save because they are afraid of tomorrow, next year, ten years from now, twenty years from now. They fear unemployment, failure, sickness, old age. In the present system all are victims of the same insecurity—the wage-earner, the professional man, the owner of a business. They all try to get ready for the rainy day.

What did they do with their savings during the years of prosperity? What did you do with yours? Perhaps you put them in a sock and hid them, or you rented a lock-box at the bank. The chances are, however, that you didn't, because you had heard someone say, "Let your dollars work for you." So you put them in a savings bank or in life insurance, or into stocks and bonds. If you gave them to your bank or your life insurance company, they turned around and invested them for you.

Now the scheme has been that savings turned into investments built new factories. This meant the buying of building material, the hiring of men, the paying of wages, and the purchase of new machinery. In this way the money got back into the hands of those who would spend it, and thus the exchange of goods and services was completed. This idea worked fairly well as

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HOW MUCH PEOPLE SAVE

INCOME $MILLIONS	PERCENT SAVED	SAVINGS PER FAMILY	TOTAL SAVINGS (EACH FIGURE - 400 MILLION)
		$ 2,399,000	
$500,000 – 1,000,000		$ 279,333	
$100,000 – 500,000		$ 93,950	
$50,000 – 100,000		$ 29,872	
$25,000 – 50,000		$ 13,752	
$10,000 – 25,000		$ 5,318	
$5,000 – 10,000		$ 1,500	
$2,500 – 5,000		$ 450	
$1,000 – 2,500		$ 85	

long as this country was being developed, and more and more cities and industries were being built. There was then always a place where savings could be invested.

This picture shows how savings increased, and how much of them were invested in new factories and new equipment. Every year there was more money to be invested, but after 1926 there was relatively little increase in the amount needed for new factories, new machinery, new farm implements, new roads, and to keep the factories in good running order. We could not go on and on building factories and buying equipment. You see until 1922 all the savings were used up in this way, but after that the savings increased much faster than the building of factories. By 1929 there were nine billion dollars which were not needed to enlarge or renew our plant capacity.

Bankers and business men do not invest money, either their own or other people's, unless they expect to make a profit. If factories for producing goods have been built to a point where there is no further chance for profit, then savings cannot be used that way. So the bankers and the business men turn to speculation. As soon as they begin buying stocks and securities, the prices go up. The money made is not usually spent for goods. It is reinvested in more stock, and prices go still higher. In 1925 the value of all the stocks listed in the New York Stock Exchange was 27 billion dollars. In 1928 it was 49 billions. In September, 1929, it was 89 billions. And then one day in October the bubble burst and 14 billion dollars went whistling

SAVINGS AND INVESTMENTS

EACH FIGURE = 2 BILLIONS

	PERCENTAGE OF TOTAL INCOME SAVED	SAVINGS	INVESTMENT IN PLANTS AND EQUIPMENT
1909	15%	7	2
1914	18%	8	3
1918	19%	12	6
1922	23%	12	6
1926	22%	11	6
1928	24%	12	6
1929	27%	13	6

out of Wall Street. By 1932 the value of the stocks had sunk to 15 billion dollars. And the savings were gone!

6. How Debts Grow

Savings do more than stop the exchange of goods. They create debts. Whenever money is loaned by one person, it becomes a debt for someone else. The last pictures showed how people saved, and what became of their savings. This picture shows how our debts have grown.

The savings of people helped the government finance the war. See how the government debt increased in 1918 and 1919. We are still carrying the burden of that debt in our taxes.

The farmers borrowed money to buy more land and new machinery. Their debts increased 100% between 1914 and 1919. During the same years the amount of their products increased only 8%.

Also, savings found their way into business and became debts for corporations and individuals. These business debts grew as rapidly as savings and both grew much faster than the national income.

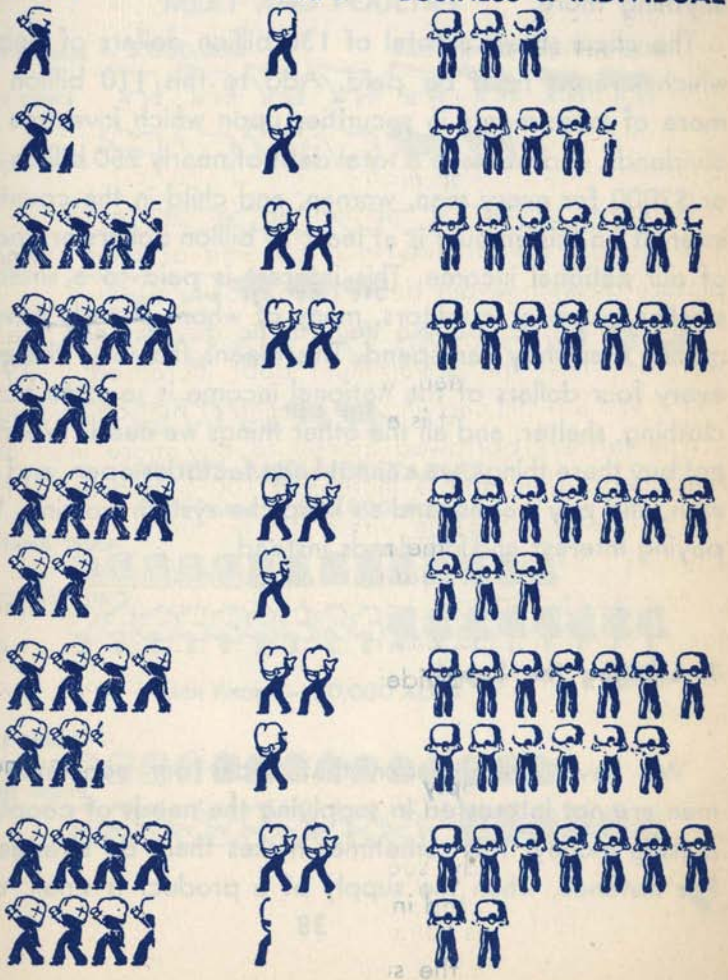
But the man or the company that borrows money not only has to pay back the loan. He must pay more. The idea that we can let our dollars work for us has made us think that dollars themselves can produce goods and therefore deserve to earn wages—interest, we call it. But they can't. Dollars by

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HOW DEBTS HAVE GROWN

EACH FIGURE – 5 BILLION

EACH FIGURE – 10 BILLION



themselves cannot run machinery, or plow a field, or weave cloth, or build a house. Money is merely a method of exchanging one thing for another and cannot be made to be or to do anything more.

The chart shows a total of 136 billion dollars of debt upon which interest must be paid. Add to this 110 billion dollars more of investments in securities upon which investors expect dividends, and we have a total debt of nearly 250 billion dollars, or $2000 for every man, woman, and child in the country. The interest on this amount is at least 10 billion dollars or one-fourth of our national income. This interest is paid to a smaller and smaller group of creditors, many of whom already have more money than they can spend. This means that only three out of every four dollars of the national income is used to buy food, clothing, shelter, and all the other things we need. When we do not buy these things, we cannot keep factories open, and employ men, and pay wages, and so keep the system working. We are paying interest and dividends instead.

7. Limiting the Supply

We have already seen that under our economic system men are not interested in supplying the needs of people but in making money. This sometimes makes them do strange things. For instance, when the supply of a product is small, a higher

WHITE FIGURES – WHAT WE HAVE
BLUE FIGURES – HOW MUCH MORE WE NEED

MEAT AND POULTRY

EACH ANIMAL – 5,000,000 EACH FOWL – 50,000,000

DAIRY COWS



BEEF AND VEAL



PIGS



POULTRY

SHEEP



FRUITS AND VEGETABLES

EACH FIGURE – 500,000 ACRES

VEGETABLE TRUCK



NON-CITRUS FRUITS



EACH FIGURE – 50,000 ACRES

SMALL FRUITS



CITRUS FRUITS



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price can be charged for it. When there are plenty of oranges or potatoes, or shoes, the price falls and less money can be made on their sale. During the last thirty or forty years science has made so many discoveries and inventions that farmers and manufacturers could produce more goods than ever before, in fact, more than could be bought at what are called profitable prices.

What was the answer? Supply everybody at a smaller price? No. That would disturb the system. There was only one thing to do—control the supply, shut down the factory, plow under the crops, destroy the goods. In California, in 1931, 431,000 tons of grapes were left unpicked on the vines, and 600,000 peach trees were uprooted. This is not unusual. Milk, potatoes, cucumbers, tomatoes, cabbages, watermelons, corn, cotton, meat have been destroyed the same way. With a limited supply prices rise, but fewer people can afford to buy.

Suppose for a moment that we were interested not in making money by selling goods but in giving everybody enough to eat. The last chart told how much more meat, milk, chickens, vegetables, fruits, we would have to produce.

8. War

The desire for profits makes men do even stranger things than destroy goods. When they cannot sell all they produce

PROFITS AND DEATH IN THE WORLD WAR

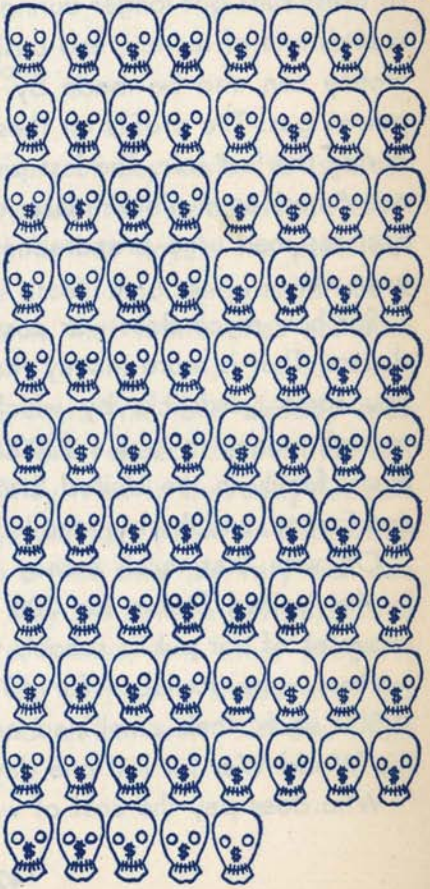
PROFITS OF 1 MUNITIONS MAKER

EACH FIGURE – $4,000,000



TOTAL WAR DEAD

EACH FIGURE – 100,000 LIVES



to people in their own country, men look for new markets in other countries. Soon they clash with merchants from other nations. Economic troubles often cause disputes between governments, and war is declared. The business men like war because it creates activity at home. Remember how the rows of dress suits got longer during the war years. The government spends lots of money, and business increases. A great deal of money can also be made by selling guns and munitions and poison gas. The profits on these things ran as high as 3000% during the last war. The last picture showed the profits of just one American munitions maker during that war. This is why some business men urge preparedness, competitive armament, and even war.

But how much does war cost? The last one cost 200 billion dollars. That is more money than one can count, so we'll give you some yardsticks by which to measure it. It would be enough money to give a $3000 house and piece of ground to every family in the United States, and England, and Belgium, and France, and Austria, and Hungary, and Germany, and Italy.

Or, with that much money we could run all the hospitals in the United States for 200 years. We could pay all the expenses of our public schools for 80 years. Or again, if 2150 workers were to labor for 40 years at an annual wage of $2500 each, their combined earnings would pay the cost of the World War for just one day!

Who does pay the cost of war? You do. Seventy-two cents

out of every dollar you pay to the federal government for taxes goes to pay for past and future wars. If money is spent this way, it cannot be spent for food and clothing and houses and hospitals and education and all the other things that make people happy.

9. The High Cost of Depressions

Men say we have to have years of depression to balance the years of prosperity, and they call this "the business cycle." Our economic system has worked that way in the past. But the cost of a depression is very great. And the present one is the worst in history, with promise that future ones are sure to be even worse.

Let us add up some of the cost. We have already seen how men lose their jobs, and so their chance to earn money. People also lose their savings. They tried to be ready for bad times, so they saved. But always during a panic or depression these savings are lost. At such a time only the very rich can hold on to what they own, and they are able to get possession of stocks and bonds, insurance, homes, and other property that people have to give up. The next chart shows what has happened to the savings of individuals between 1929 and 1932.

OWNERSHIP OF WEALTH 1929 AND 1932

White Background – Owned by Individuals
Blue Background – Owned by Corporations and Institutions

BANK DEPOSITS AND INSURANCE

1929



1932



STOCKS AND BONDS

1929



1932



REAL ESTATE AND CHATTELS

1929



1932



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HOW TO USE OUR WEALTH

The System Does Not Work

The purpose of any economic system is to supply the necessities and as many comforts as possible to all the people who live under it. Our system fails to do this. We have seen why. People have not been able to exchange their labor or their goods for the labor and goods of other people. This exchange has been impossible largely because the medium of exchange—money—has become an end in itself instead of a means to an end. The manufacturer makes cloth, not to provide people with clothes, but to make money.

We must again make it possible to exchange labor and goods. It can be done, if, instead of producing goods for profit, that is, to make money, we distribute goods as a service. Money will then be what it once was, merely a method of exchange. The production and distribution of goods for use would then be the chief purpose of all activity.

If people were not interested in making money, they would not have to destroy goods, or pay low wages, or make war. It would not matter then whether the dollar bills and checks which we use as counters in exchange were made to earn interest. The really important thing would be the widest possible exchange of everything waiting to be traded—coal, oil, cotton, food, clothing, houses, labor, art, music, education, medical care, and all the other things that make up our wealth. The more goods we produce, the more we would have to distribute, and the higher the standard of living would become. And because there is more than enough to go around, such an exchange would bring in the Age of Abundance.

Organizing for Service

But, you will say, business is not organized that way. Banks and corporations and public utilities and grocery stores and oil stations are not set up to give service but to make money. True. Yet there are already some activities that are planned and financed to give service.

When you want to send a letter to a friend three thousand miles away, you do not have to look up a list of mail companies and wonder which one will be the most efficient and at the same time the most reasonable. You go to the Post Office, buy a stamp for a few pennies, stick it on your letter, and

drop it in a mail-box, knowing that the letter will get to your friend safely and promptly.

At Christmas time when you send gifts to relatives in other cities, you do not select a trucking company or some package delivery service organized to make a profit. You send them by Parcel Post, and they are delivered right to the door of your relative, and it costs you very little. Your government organized the Post Office to serve you, not to make a profit at your expense.

Or perhaps you decide to take a trip in your car. The roads over which you ride were built for your use and convenience. No private corporation built the roads for the purpose of making money out of those who use them.

If you live in town or city, water is piped into your home. It is good, pure water, and you have plenty of it. In order to get that water, you did not choose between various water companies organized to make money out of that particular business. It is a service guaranteed to all who live in the community.

And these are not all the services one might mention. There are the public schools, the fire department, the weather bureau, the police force, the public health service, libraries, museums, parks, street cleaning, garbage collection, and sewage disposal plants.

As we have become more and more dependent upon one another and upon the inventions of science for the necessities

of life, the government has had to become more and more active as an agency of distribution and service. In 1881 there was only one municipal power plant in the United States. In 1932 there were nearly two thousand. Sewerage systems are almost entirely owned by the cities and towns which they serve. Municipally owned water works furnish 90% of all the water used by town and city people. This picture shows how the number of publicly owned water and power plants has increased, and how many miles of new roads the government has built.

Still More Service Needed

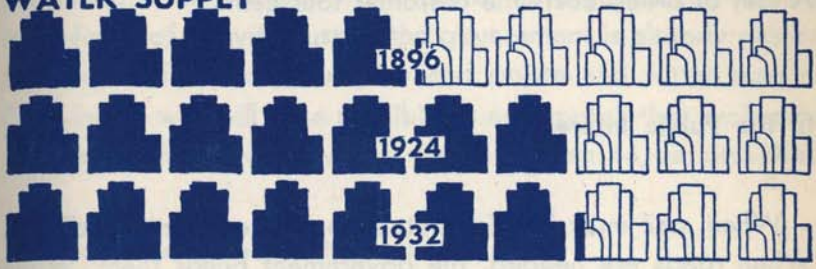
But people must be able to get milk for their children, meat, bread, gasoline, coal, clothing as easily as they can get water and mail delivery now.

Did you know that there is a place where the United States Government owns and operates not only the water supply but the bakery, the ice plant, the baggage transfer, the ice cream company, the cattle industry, the laundry, the dairy farm, the railroads, the electricity, the telephone and telegraph systems, the hotels, the department stores, and even the manufacture of face powder and tooth paste? It sounds strange, doesn't it? But it's true. The place is the Panama Canal Zone. There are nearly 43,000 people living there, and the government has complete charge of supplying these people with all the things they need. And we can be very proud of the way it does the

INCREASES IN PUBLIC SERVICE

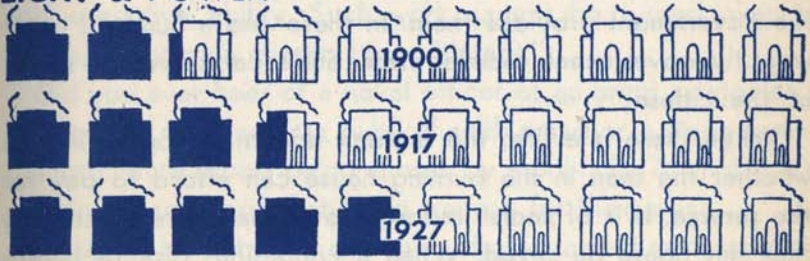
Blue Figures Owned & Operated by Municipalities

WATER SUPPLY



Blue Figures Owned & Operated by Municipalities

LIGHT & POWER



Blue Figures New Roads Built by Federal Aid
EACH FIGURE – 5,000 MILES

ROADS

1926 – 1929



1929 – 1931



1931 – 1934



job. The people can buy milk and bread and toilet articles and ice cream from the government just as you buy postage stamps. A loaf of bread costs the customer four cents.

In the Public Interest

When mail must be distributed, the government handles it. When roads are needed, the government builds them. When children must be educated as a safeguard of democracy, the government furnishes schools. When people need water, sewerage systems, police and fire protection, public health service, the government provides them. In these and a hundred other ways the government, federal, state, and local, serves the needs of the citizen.

When there is a fire, the fireman does not stop to inquire whether the man in the burning house can afford to pay for the service. It is of social importance to the entire community that this house be saved. When a contagious disease begins to spread—smallpox, scarlet fever, infantile paralysis—the public health service is quick to care for poor and rich alike in an effort to stamp it out.

The time has come when people cannot go on depending on the selfish whim of private industry for the necessities of life. The public interest must be served. The economic welfare of the poor is as important as the bank account of the rich.

We are all interdependent. The machines of industry must be kept running. To do this the people must use all that is produced. It is necessary, therefore, to organize for service in all fields of activity, just as the government is already organized in the fields of education and police and water supply. Only in this way will it be possible to accomplish that exchange of goods and services which we have seen to be essential.

Efficient Management Necessary

But someone may say, "This is the age of science. The running of modern industry requires technical training and skill and executive ability. Such work cannot be turned over to politicians or men chosen by politicians."

Did you ever hear of a naval officer or an army aviator or a high school teacher or a public health nurse or a Department of Agriculture expert being chosen by a politician? All of these people spend years of study in training for their jobs.

Or, let us look at a few examples of government management. The Panama Railroad Steamship Line is owned by the United States Government. This government line is so efficient that private shipping interests have been fighting for years to have it discontinued. In 1921 its manager was loaned to the United States Lines for a period of five years to become general manager of that company. He filled the office with great success.

The government's dairy farm in the Panama Canal Zone is run by an expert veterinarian who has increased the production of milk almost 500%, and has reduced the wholesale cost of milk by more than a third. The industrial laboratory in the Canal Zone is under the direction of a first-rate manufacturing chemist. In 1933 it produced a quarter of a million dollars' worth of toilet articles, household medical supplies and soft drinks.

In the Tennessee Valley the government is building a great dam. The man in charge is not a politician but an expert engineer. He is building the dam with a labor turnover of less than 1% a month. The turnover on private construction jobs runs from 25% to 50% a month. The Norris Dam will probably be one of the cheapest ever built.

The gigantic Boulder Dam is also being built by the government, and will be finished one year ahead of schedule.

Or again. Aviators must have accurate information about the weather all the time. Flying by day and night, up among the clouds, at terrific speed, they must rely upon their instruments and radio reports to warn them about dangerous wind and storm conditions. Without such reports, there could be no mail or passenger service, and no progress in the use of the airplane. Does the aviator then have to pay private agencies in different cities to broadcast this information to him? No. Such an arrangement would not only be impractical and dangerous but very expensive.

All across the country at regular intervals are air observation

stations of the United States Weather Bureau. At these stations scientifically constructed balloons are sent up every four hours to test air conditions. The results together with the daily weather report are radioed to all the fliers in the vicinity. The radio operator at the station is in constant touch with the flier. Here is government acting as the servant of technological progress in a field where a high degree of skill and accuracy are demanded.

Private Business Efficient?

On the other hand, is private business as efficient as we sometimes think in the way that it produces and distributes goods? About two years ago one of the largest manufacturers of mechanical refrigeration announced the discovery of a new refrigerant. A very expensive nation-wide campaign of advertising boasted that this new gas was safe, odorless, and more efficient than the old poisonous SO_2. Many new models were sold on the basis of this sales campaign. After a few months the new gas proved impractical and had to be replaced with the old SO_2.

Again, the desire to gain advantage over competitors often causes automobile manufacturers to announce improvements, such as free-wheeling, which are later discarded. Such experiments in production cost both the manufacturer and the public hundreds of thousands of dollars.

This chart gives a graphic picture of competition in distribution. In one city, Milwaukee, all of these brands were offered for sale in 1930—87 varieties of cereal, 55 brands of catsup, 110 makes of washing-machines. Such competition does not guarantee high quality in a product or a lowering of the price. It means instead almost as many standards of quality as there are brands, and above all, the duplication of production and selling costs. When a person has made up his mind to buy, he is forced to pay three to ten times the actual cost of the article because so many different companies are competing for the chance to sell it to him.

Private business does not compete for a chance to serve the public effectively and adequately, but for the greatest share of the profits.

Corruption and Graft?

Or someone else may say that every government activity is sure to have a lot of graft in it. The truth is, it is not in government business, but in the attempt of the government to regulate private business that there is great corruption. Private industry tries to bribe the government official or the commission for the chance to have its own way. The question is, which is more corrupt, the government official who accepts graft or the private industry that gives it?

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COMPETITIVE BRANDS

EACH FIGURE — 5 BRANDS

FLOUR



CATSUP



INSECT KILLER



GINGER ALE



TIRES



TOOTH PASTE



CEREALS



COFFEE



WASHING MACHINES



FOUNTAIN PENS



The seeking of special privilege by private interests is the root of most corruption in our government. A system which is organized for service and not for profit would eliminate the need for special privilege.

The Government as Employer

Even now there are rigid rules that govern all employees in the Civil Service. Most important of these is that they must not take any active part in a political election. They must **not** be guilty of giving or accepting any form of patronage. Disobedience means immediate dismissal.

Most of the men and women employed by the federal government are in the Civil Service. This chart shows how many there were in 1933. You see 465,000 out of 565,000 government employees had to take Civil Service examinations, and many of those appointed were chosen on the basis of training and ability.

It is clear that the government chooses most of its employees carefully and requires of them efficient and conscientious service. In return these men and women are rewarded with advancement according to their ability, and with the security of a pension when they retire. Private employers are not often so generous either in reward for service or in providing for old age.

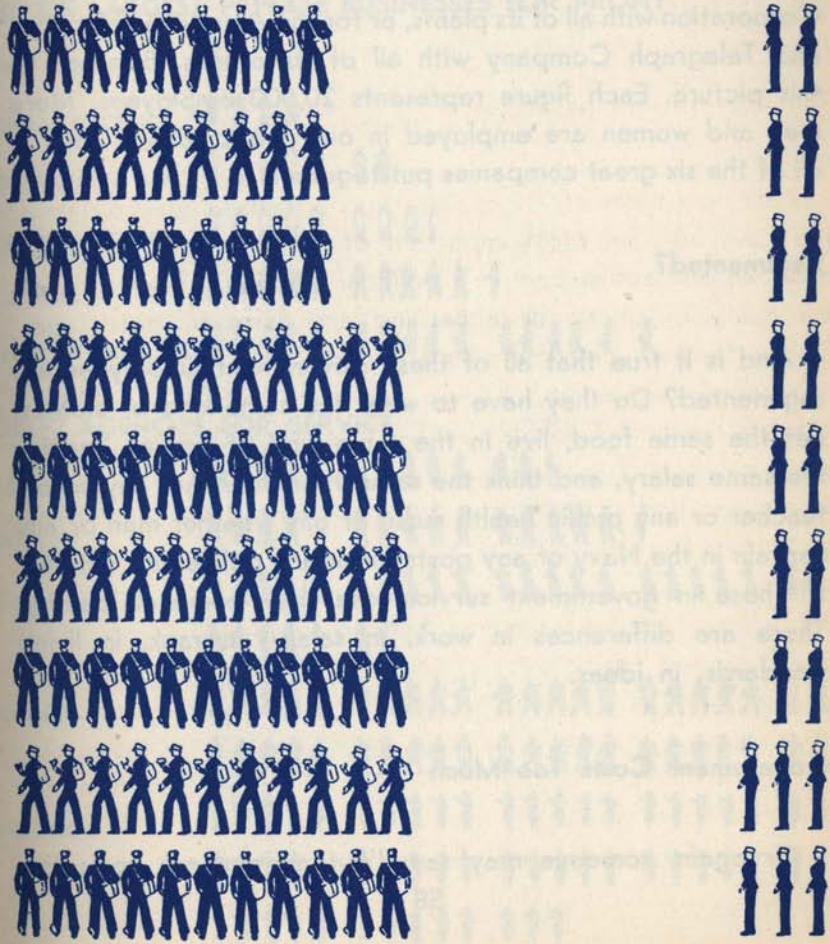
There are already a lot of people employed by the

FEDERAL GOVERNMENT EMPLOYEES 1933

BY CIVIL SERVICE EXAMINATION

BY APPOINTMENT

EACH FIGURE – 5000



government, federal, state, and local, in fact, many more than by our six largest private corporations. We think of thousands of people working for the Great Atlantic and Pacific Tea Company, with all of its stores, or for the United States Steel Corporation with all of its plants, or for the American Telephone and Telegraph Company with all of its offices. But look at this picture. Each figure represents 20,000 employees. More men and women are employed in our public schools than in all of the six great companies put together.

Regimented?

And is it true that all of these government employees are regimented? Do they have to wear the same kind of clothes, eat the same food, live in the same kind of houses, receive the same salary, and think the same thoughts? Ask any school teacher or any public health nurse or any weather man or any captain in the Navy or any postman or any policeman, whether all those in government service lose their personal identity. There are differences in work, in salary, in rank, in living standards, in ideas.

Government Costs Too Much

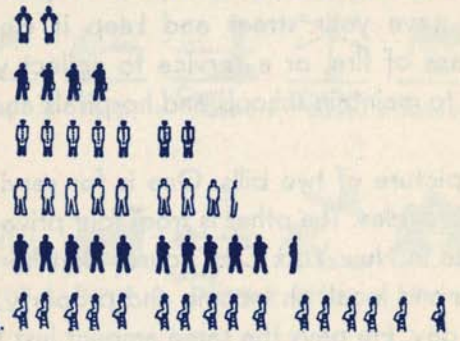
Or again, someone may say, "But government costs too

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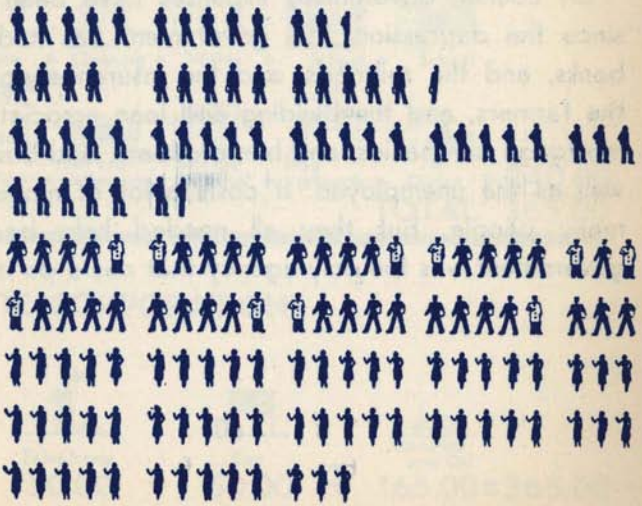
PRIVATE AND PUBLIC EMPLOYEES

EACH FIGURE – 20,000 EMPLOYEES

THE SIX LARGEST PRIVATE BUSINESSES FOR PROFIT



PUBLIC AGENCIES FOR SERVICE



much. Government activities are too expensive. We would all be ruined if the government tried to run things. Taxes are already too high."

Did you ever stop to think how much it would cost you if you had to hire a policeman to protect your house, or a company to pave your street and keep it clean, or a fire brigade in case of fire, or a service to collect your garbage, or if you had to maintain schools and hospitals and playgrounds and parks?

Here is a picture of two bills. One is for services which the government provides. The other is from four private companies. A certain man in New York City figures that he pays in taxes, federal, state and local, on income and property, $365 a year, or a dollar a day. He pays the same amount just for electricity, gas, telephone service, and gasoline for his car.

Of course, government expenses have been much higher since the depression. The government has had to help the banks, and the railroads, and the insurance companies, and the farmers, and the building and loan associations, and the mortgage companies, and home owners, and business men, as well as the unemployed. It costs a lot of money to help so many people, but they all needed help badly, and the government was the only agency that could do it.

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TWO BILLS FOR SERVICES

FROM THE GOVERNMENT

FEDERAL

$








Administration + Army + Navy + Coast Guard + Weather Bureau + Highways = 104.00

STATE








University + Hospitals + Prisons + Alms Houses + Bridges + Parks = 21.00

CITY








Street Lights + Police + Street Cleaning + Water + Grammar School + High School +








Libraries + Fire Dept + Garbage Collection + Sewage Disposal + Play grounds + Clinics = 240.00

TOTAL 365.00

FROM PRIVATE CORPORATIONS






Electricity 100.00 + Telephone 50.00 + Gas 50.00 + Gasoline and Oil 165.00 = 365.00

If service is to be the purpose of economic activity instead of profit, then the worth of a thing is not measured in terms of whether it can be sold. Wealth will include all those things —natural resources, factories, motors, labor, raw materials, scientific inventions, railroads, trained minds, artistic ability, libraries, theatres, everything that can be used by people to make life happier, more comfortable and more interesting. The proper use and distribution of this wealth is the only real test of economic activity. The waste or neglect of any or all of this wealth means gross inefficiency and tragic failure.

During the past five years an average of ten million men have been unemployed. These men might have been used in a hundred different ways to improve living conditions. During these years factories have been shut down. Goods and services worth **287 billion dollars have not been produced.** And we are all that much poorer. When men are unemployed, their services are wasted. When factories are idle, goods that are needed are not produced, and plant capacity is wasted.

Was this waste due to the inefficiency of the government? Not at all. It was due to the inefficiency of a system of private industry that is organized for profit and not for service. Private industry is the victim of its own methods. It reduces costs by paying less wages and employing fewer men in order to make a profit. While all the time industry can be kept running only

if these people have money enough to buy the goods produced.

It is necessary, therefore, for an agency whose chief concern is the social good to take charge of those fields of activity which are essential in providing men and women with the necessities of life. The only such agency, as we have seen, is the government.

*

WHERE SOCIAL OWNERSHIP IS NEEDED

1. An Unvarying Medium of Exchange

If a complete exchange of goods and services is to be the aim of our social order, it is important that the medium of exchange should always have the same value in terms of the things we need. Until a short time ago our dollar represented a certain amount of gold. But few of us wanted to buy gold. We needed food and clothing and coal and oil. We could never be sure just how much of these things a dollar would buy. The next chart shows what the dollar did buy in different years. In 1920 even if a man made high wages, his dollars would buy less food than in some of the other years.

Year by year, as men speculated in cotton, steel, wheat, and pigs, prices changed, and our dollar bought now more,

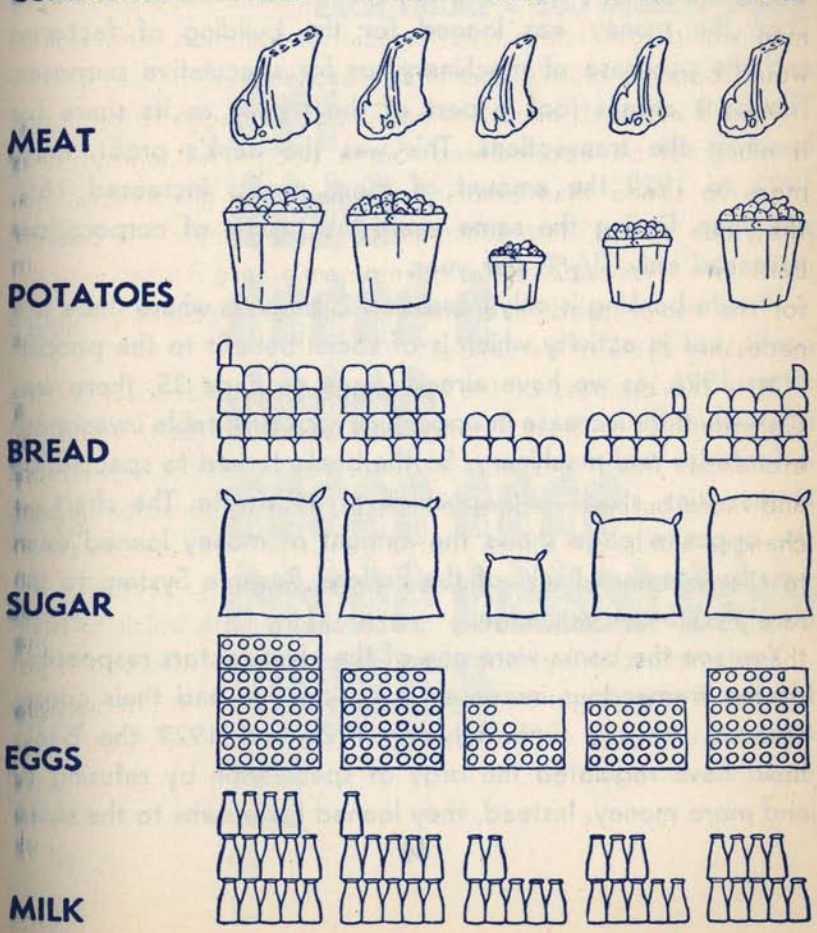
now less of the things we needed. Our medium of exchange should have a definite value in terms of the things that make up our wealth—wheat, cotton, oil, coal, milk—the basic commodities which we use day by day.

If such a medium of exchange were established—money that would always buy the same amount of basic necessities, then men would lose interest in financial speculation, and dollars would become merely counters in exchange.

And if money is merely a medium of exchange to be spent, it must not be accumulated. Some people will always have more to spend than others, but when they have more than they **can** spend, the accumulated money must be brought back into the hands of the government where it can be spent for the social good, and where it will serve to complete the necessary cycle of exchange.

It is the business of the government, as laid down by the Constitution, to issue money and establish the medium of exchange. This it has always done. But in recent years more and more business is done on credit. That is, no actual money changes hands, but a loan from a bank transfers so much credit to the account of an individual or a company. Factories are rarely built for cash. Money or the capital with which to build them is almost always borrowed. This extension of credit is just the same as issuing more and more money. And thus banks have taken over a part of the function of the government. Let's see how it has worked out.

PURCHASING POWER OF THE DOLLAR



2. The Control of Credit

The savings of people accumulated in various kinds of banks. Then the money was loaned for the building of factories and the purchase of machinery, or for speculative purposes. The bank always took a part of the money as its share for handling the transactions. This was the bank's profit. From 1922 to 1929 the amount of these profits increased 16% per year. During the same years the profits of corporations increased only 7½% per year.

Private banking is only interested in business where there is a profit, not in activity which is of social benefit to the people. After 1926, as we have already seen on Page 35, there was relatively little increase in opportunity for profitable investment in factories and machinery. So the banks turned to speculation in securities, stocks and speculative real estate. The chart on the opposite page shows the amount of money loaned each year by Member Banks of the Federal Reserve System to the New York Stock Exchange.

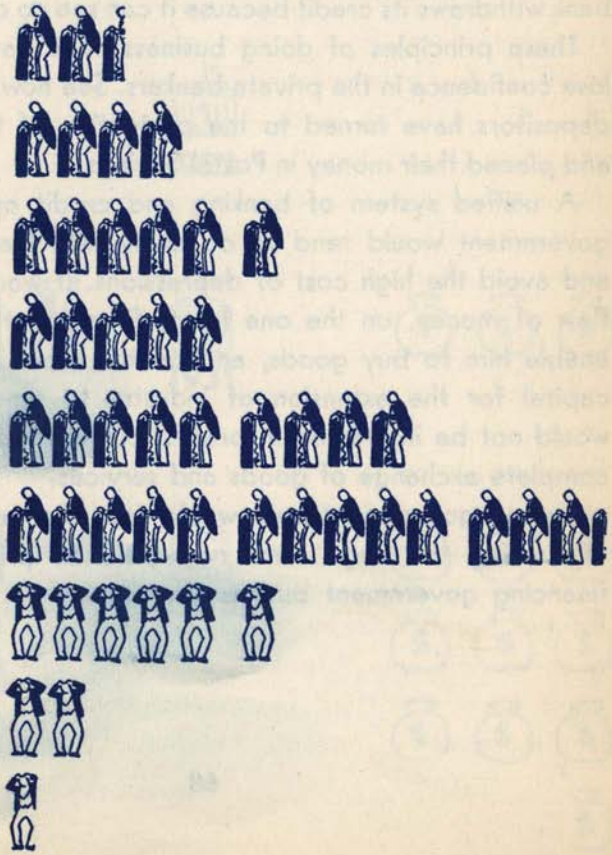
You see the banks were one of the chief factors responsible for the tremendous increases in speculation and their consequences. At any time between 1925 and 1929 the banks could have regulated the orgy of speculation by refusing to lend more money. Instead, they loaned huge sums to the stock

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THE BANKS AND SPECULATION

BANK LOANS TO STOCK BROKERS

EACH FIGURE – 500 MILLION DOLLARS



market and dealt in speculative issues of domestic and foreign bonds. The banks were thinking of the profits from these transactions, not of the effects upon depositors or upon the market. Here is proof that good private banking is bad public business. And it becomes worse public business in the time of a depression. When more money is needed by the consumer and by industry in order to start the wheels moving again, the bank withdraws its credit because it can see no chance of profit.

These principles of doing business have caused people to lose confidence in the private bankers. See how more and more depositors have turned to the protection of the government and placed their money in Postal Savings.

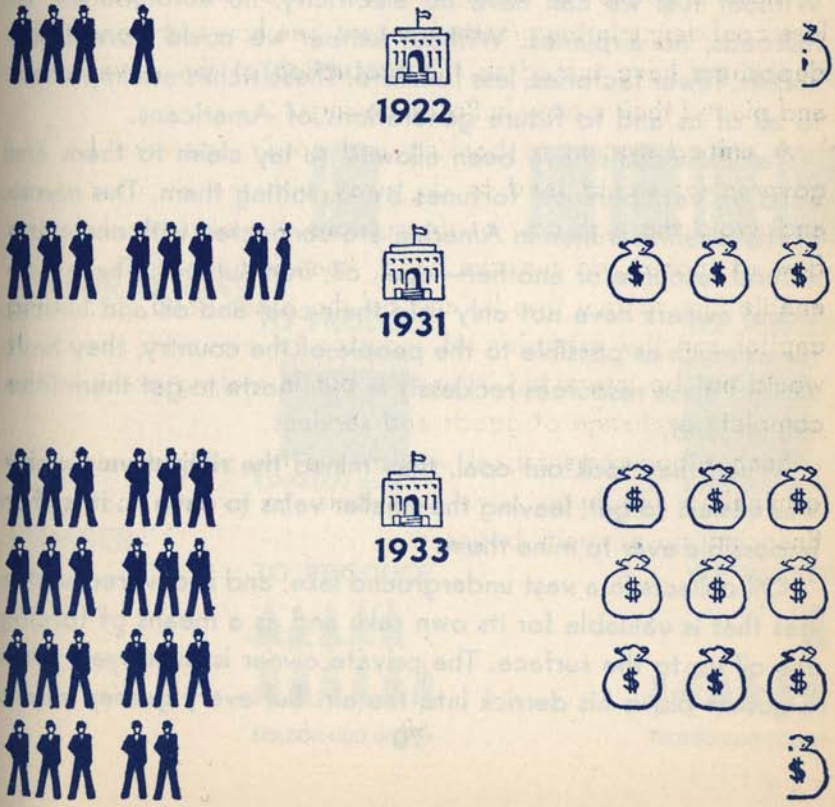
A unified system of banking and credit operated by the government would tend to do away with the business cycle and avoid the high cost of depressions. It would regulate the flow of money, on the one hand, financing the consumer to enable him to buy goods, and on the other hand, providing capital for the extension of industry to meet the need. It would not be interested in profits, but in making possible the complete exchange of goods and services.

Such a government bank would save the people money by eliminating the huge sums now paid to private banks for financing government business.

THE INCREASE OF POSTAL SAVINGS

NUMBER OF DEPOSITORS — **DEPOSITS AT END OF YEAR**

100,000 DEPOSITORS — EACH FIGURE — $100,000,000



3. Conserving the Natural Resources

If our economic system is to be organized on the basis of service to all, then the government must take charge of our natural resources. The first picture in this book showed how rich we are in natural wealth. These things are important because they are the basis of our whole industrial civilization. Without fuel we can have no electricity, no automobiles, no railroads, no airplanes. Without lumber we could have fewer houses, fewer factories, less furniture. These riches are important to all of us and to future generations of Americans.

Yet individuals have been allowed to lay claim to them and build up vast personal fortunes by exploiting them. The names of the wealthiest men in America are connected with one great natural resource or another—coal, oil, iron, lumber. These individual owners have not only sold their coal and oil and lumber for as much as possible to the people of the country, they have wasted these resources recklessly in their haste to get them from the ground.

When they took out coal, they mined the richest vein which was easiest to get, leaving the smaller veins to cave in. It is then impossible ever to mine them.

Oil collects in a vast underground lake, and is covered with a gas that is valuable for its own sake and as a means of forcing the oil up to the surface. The private owner is overjoyed when a gusher blows his derrick into the air. But every gusher means

WASTE OF NATURAL RESOURCES

COAL

TO PRODUCE



7,500,000,000 Tons

WE WASTE



9,000,000,000 Tons

OIL

TO PRODUCE



WE WASTE



NATURAL GAS

TO PRODUCE



1,000,000 cu. ft.

WE WASTE



1,000,000 cu. ft

LUMBER

TO PRODUCE



110,000,000,000 ft.

WE WASTE



70,000,000,000 ft.

a tremendous loss of both gas and oil. It prevents any economical method of taking the oil from the earth, and should therefore be choked as quickly as possible. And instead of as many derricks as can be planted in an oil field—encouraged by our competitive system—there should be only enough to give the most effective outlet for the oil.

Enormous forests have been plundered and ruined. There were 800 million acres of virgin forest when the Pilgrims landed. Today there are only 138 million acres. Ruthless exploitation means the ruin of the land for second growth because no trees are left for seed. It means that land is left bare so that soil is washed away. It means tremendous destruction by forest fire.

Do not think that all this waste is in the past. More waste is going on every day—waste which we cannot afford with our constant dependence upon fuel for motor and heat and light. It takes a hundred years to grow a forest and countless centuries to form deposits of coal and oil. What we have wasted cannot be replaced. Half of our underground supply of oil is gone forever. We have wasted as much coal as we have mined. Enough natural gas is blown into the air every year to pay the entire cost of all of our tax-supported schools.

During the war the government took over the coal industry, organized it, made maps charting production and consumption, worked out a budget, and demonstrated that this natural resource could be managed and conserved for the benefit of the whole nation. Social ownership would give the government a

chance to conserve all the natural resources and make this wealth available for the use of all the people.

4. Social Ownership of Power

In a power age, it is not enough to own the credit agencies and the natural resources. The government must also control the billions of energy horses which form so large a part of our natural wealth, so that they can be harnessed to serve the nation. We are all dependent upon these energy horses in one way or another.

In our complicated machine civilization electricity becomes as important as water. It is almost as important as the air we breathe. Let the electricity be shut off in a city, and streets and houses would be dark. Elevators and street-cars would stop running. Many houses would be without heat and refrigeration and stoves for cooking. Anything as vital as this in the lives of men, women, and children, should be distributed as a service at the lowest possible cost.

Already we have tested the possibility of government ownership and operation of light and power plants. Although most of the power in the country is still furnished by private companies, the publicly owned plants provide a yardstick by which we can measure the rates and the efficiency of the two methods. In a study of the entire country, the average rate of the privately

owned companies is considerably higher than that of the publicly owned plants. Look at the chart opposite.

If all the current consumed in homes, by street-lights and by small businesses were purchased at the rates charged by the government plants, the saving to the people of the country would amount to one million dollars a day. Why are private rates higher? Mainly because they are based upon false valuation of property and equipment. On this artificial capital structure they expect a return of 7% or 8%.

It is certain that under one unified power system with no excess investment or valuations upon which interest and dividends must be paid, the price of electricity and gas would be much cheaper.

5. Organizing the Production of Goods

There are 200 corporations in the United States which control the manufacture of all the necessities of life. Some of these corporations buy foodstuffs from the farmer and prepare them for the market—bottle the milk, pack the meat, or grind the wheat and other grains into flour and cereal. Others of them refine oil, weave cloth, saw lumber, or make steel. Under the present system they produce only as much as can be sold. This is the rule which limits private industry operating to make a profit.

These corporations are very powerful. They can withstand

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THE COST OF ELECTRICITY

COMPARATIVE RATES

HOUSEHOLD RETAIL BUSINESS STREET LIGHTING

MUNICIPAL



PRIVATE



TOTAL COST OF CURRENT CONSUMED

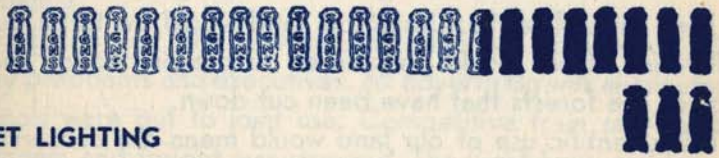
Blue Figures – Savings if Current were Bought at Municipal Rates

EACH FIGURE – $20,000,000

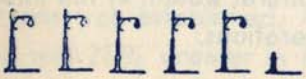
HOUSEHOLD



RETAIL BUSINESS



STREET LIGHTING



TOTAL POSSIBLE SAVING – $369,349,516

any attempt of the government to regulate their activities. To assure the production of goods for use, these industries must be socially owned.

Such ownership would not disturb efficient organization. We have seen various types of government management. The Panama Railroad Company does not have to wait for Acts of Congress before it can do business. It is organized like any other corporation. Its officers are appointed because of their ability. Its success is judged on the basis of service and economy. These same standards would characterize the management of a unified, publicly owned, industrial system. Plans for such a system would have to be worked out, but there are plenty of scientifically trained minds available to make the plans.

There must also be a plan to organize the production of agricultural products, and ensure a sufficient supply for the entire country. Such a plan would not restrict crops until that supply had been provided. Farmers could still own their own farms and grow their crops, but they would be guaranteed a ready market and the security of regular income from their labor. The social control of agriculture would help the farmer to make the best possible use of his land, to grow the most suitable crops, and to keep his soil fertile. Unsuitable land would be taken out of cultivation. Trees would be planted to prevent floods and to replace the forests that have been cut down.

This scientific use of our land would mean the conservation and full development of our agricultural wealth in the interests of all our people and of future generations.

6. Organizing the Transportation of Goods

We live in a very large country. Many of us live far away from the farmer who grows wheat or owns a dairy. Our food must be brought to us by train or truck or boat. The number of miles travelled by all the various things we eat in an average dinner—vegetables, meat, fruit, spices, bread, coffee, sugar—would amount to more than the distance around the world. We must be able to communicate easily and quickly with other parts of the country by telephone or telegraph, by train or truck, by airplane or steamship. Let any town or city be cut off from the rest of the country, and the people would soon starve to death. This means that all systems of communication and transportation should be organized for service and not for profit.

Let us take the railroads as an example. The government has already set up controls to ensure service to every part of the country. But this is not enough. Competitive lines add to transportation costs. The salaries of duplicating sets of personnel increase rates. The lack of a coordinated plan makes for inefficiency.

During the war, the government removed from office 400 railway presidents and executives. All advertising was eliminated. Terminals were put to joint use. Competitive train service for passengers and freight was stopped. The eight-hour day for all employees was established. Although the ton-miles of freight carried was 25% greater in 1918 than in 1913, the number of

employees was only 3% greater. Politics were barred. Able men were selected for important responsibilities, and enough salary was paid them to secure and hold their service. Many reforms and economies were made which had long been urged by progressive railroad men. These reforms were impossible as long as the railways were operated by independent companies.

In spite of the prevailing idea that government operation was a failure, these facts speak for themselves. Such coordination extended again to railroads, and to other systems of transportation, and to methods of communication, would give to the public the adequate and efficient service which is essential.

7. Organizing the Distribution of Goods

Social ownership of production and transportation are still not enough to guarantee that goods will be distributed to men and women as easily and cheaply as possible. Large profits are made by corporations that sell goods direct to the consumer. Such profits prevent that complete exchange of goods and services which we have seen to be necessary. Already in many communities groups of people have been experimenting with new methods of distributing goods conveniently and economically. In large sections of the country consumers themselves have banded together, organized their own stores, and distributed the food, clothing, gasoline, and other products which they needed.

These experiments in group ownership and consumer cooperation point the way to new methods of distributing the necessities of life as a service rather than for profit.

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AN OPPORTUNITY

The test of any economic system is whether it provides food, clothing, shelter, medical care, education, and as many cultural advantages as possible to all the people who live under it. Our system has failed to meet this test. Our country is rich. Our men and women are poor.

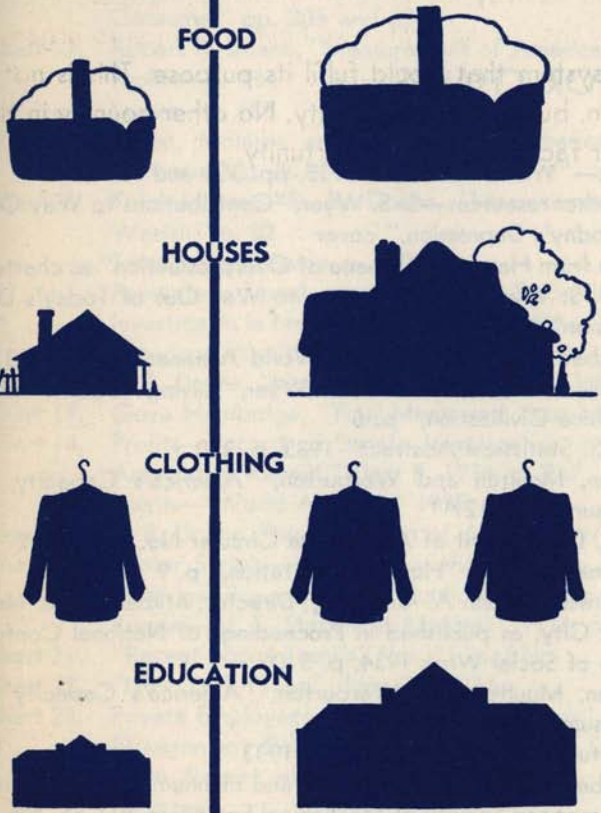
A group of sixty engineers, appointed by the federal government, recently made a study of all the resources, energy, manpower, and factories that were available in 1929. The final chart shows some of the results of that study. Instead of an emergency or a subsistence diet, every family in the country could have all they want to eat. Instead of a part of a suit of clothes, every man could have a whole new suit every year. Instead of living in hovels and slums, every family could be comfortably and decently housed.

And science could provide inventions more amazing than any we have yet seen. The full use of our labor-saving machinery would release men and women from physical work that enslaves and deadens the mind. There would be time and energy for the

cultivation and enjoyment of literature, music, art, and science. The guarantee of economic security would eliminate the fears that distort and destroy the fineness of human nature.

Here then in the United States we have a chance to organize an economic system that would fulfil its purpose. This is not a Utopian dream, but a scientific reality. No other country in the world has ever faced such an opportunity.

POSSIBLE INCREASES IN GOODS AND SERVICES ★



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SOURCES FOR CHARTS

Chart 1. Oats—"World Almanac" 1935, pp. 354 and 357
All other resources—S. S. Wyer, "Contributions to Way Out of Today's Depression," cover

Chart 2. Data from Hamlin's "Menace of Overproduction" as charted by S. S. Wyer, "Contributions to Way Out of Today's Depression," p. 20

Chart 3. Number of Male Workers—"World Almanac" 1935, p. 319
Installed Horse Power—S. S. Wyer, "Living Together in a Machine Civilization," p. 6

Chart 4. "U. S. Statistical Abstract" 1933, p. 320

Chart 5. Leven, Moulton and Warburton, "America's Capacity to Consume," p. 121

Chart 6. U. S. Department of Agriculture Circular No. 296, p. 12

Chart 7. Norman Thomas, "Human Exploitation," p. 9

Chart 8. Address by John A. Kingsbury, Director, Milbank Fund, New York City, as published in Proceedings of National Conference of Social Work 1934, p. 310

Chart 9. Leven, Moulton and Warburton, "America's Capacity to Consume," p. 54

Chart 10. "Fortune Magazine," October, 1933

Chart 11. Lumber and Petroleum—Alford and Hannum, "Transactions" of American Society of Mechanical Engineers, Vol. 55, No. 7, pp. 59ff.
Window Glass, Garment Cutters, Glass Blowers, Cigarette Wrappers—Stuart Chase, "Men and Machines"
Electric Bulbs—"U. S. Monthly Labor Review" No. 593

Machine Tool—Harry Jerome, "Mechanization of Industry," pp. 59ff.

Chart 12. Leven, Moulton and Warburton, "America's Capacity to Consume," pp. 205 and 206

Chart 13. Robert R. Doane, "Measurement of American Wealth"
Profits—p. 144
Losses—p. 158

Chart 14. Leven, Moulton and Warburton, "America's Capacity to Consume," p. 261

Chart 15. Total Income—R. R. Doane, "Measurement of American Wealth," p. 82
Total Savings, Same, p. 110
Percentage Saved, computed by O. P. Goslin
Investments in New Plants and Equipment—"Measurement of American Wealth," p. 123

Chart 16. R. R. Doane, "Measurement of American Wealth," p. 173

Chart 17. Gove Hambidge, "Your Meals and Your Money"

Chart 18. Profits—Record of Senate Investigation in "Foreign Policy Association Report," Dec. 5, 1934, p. 267
Death—"World Almanac" 1935, p. 944

Chart 19. R. R. Doane, "Measurement of American Wealth," p. 27

Chart 20. Water Supply—"Public Ownership League Bulletin" No. 68
Light and Power Plants—"Public Ownership Bulletin" No. 66
Roads—"U. S. Statistical Abstract" 1934, p. 333

Chart 21. "Recent Social Trends" Vol. 11, p. 876

Chart 22. "New York Times," June 30, 1934.

Chart 23. Private Employees—"Recent Social Trends" Vol. 11, p. 1512
Government Employees—"N. Y. Herald Tribune," Jan. 7, 1934, Report of Commission of Inquiry on Public Service Personnel

Chart 24. Abraham Epstein, "I Cannot Complain about Taxes," "New Republic," March 15, 1933, p. 123

Chart 25. Yearly Commodity Prices—"World Almanac" 1935, p. 371
Annual Purchasing Power of Dollar, "U. S. Statistical Abstract" 1933, pp. 286, 287

Chart 26. S. S. Wyer, "Contributions to Way Out of Today's Depression," p. 16
Chart 27. "U. S. Statistical Abstract" 1934, p. 245
Chart 28. Coal—Harold Rugg, "Waste and Conservation of America's Resources," p. 10
Oil—S. S. Wyer, "Living Together in a Machine Civilization," p. 11
Natural Gas—Stuart Chase, "Tragedy of Waste," p. 237
Lumber—Same, p. 36
Chart 29. "U. S. Statistical Abstract" 1934, pp. 330, 331
Chart 30. Loeb and Associates, "The Chart of Plenty," pp. 171-175

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